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**SPEAKER:**

U.S. SENATOR SAXBY CHAMBLISS (R-GA), CHAIRMAN

**LOCATION:** WASHINGTON, D.C.

**WITNESSES:**

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LIEUTENANT GENERAL ROGER SCHULTZ, DIRECTOR, ARMY NATIONAL GUARD  
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LIEUTENANT GENERAL DENNIS MCCARTHY, COMMANDER, MARINE FORCES RESERVE  
LIEUTENANT GENERAL JAMES SHERRARD III, CHIEF, AIR FORCE RESERVE

**BODY:**

U.S. SENATE ARMED SERVICES COMMITTEE: SUBCOMMITTEE ON  
PERSONNEL HOLDS A HEARING ON NATIONAL GUARD AND RESERVE  
MILITARY AND CIVILIAN PERSONNEL PROGRAMS

MARCH 31, 2004

**SPEAKERS:**

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U.S. SENATOR ELIZABETH DOLE (R-NC)  
U.S. SENATOR JOHN CORNYN (R-TX)  
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CHAMBLISS: Good morning. The subcommittee will come to order. The subcommittee meets today to receive testimony on the National Guard and Reserve military and civilian personnel programs and review of the defense authorization request for fiscal year 2005.

Earlier this month, we conducted subcommittee hearings at which Undersecretary Chu, Deputy Undersecretary Abell, Assistant Secretary Winkenwerder and the personnel chiefs of each of the services provided an overview of the readiness posture of the department and key issues relating to the 2005 budget. Not surprisingly, proposals effecting the Guard and Reserve were key aspects of their testimony.

Proposals such as increased health benefits under TRICARE, enhanced retirement and survivor benefits and special pays and bonuses to assist in recruiting and retention. I anticipate that we will touch on some of those subjects today. I want to underscore my admiration and respect for the Guard and Reserve forces.

Since coming to Congress in 1994, I have seen the nation's reliance on the National Guard and Reserve grow dramatically. Through the draw-down following Desert Storm, through the air campaign and peace-keeping operations in the Balkans and most dramatically, in the aftermath of the attacks of September 11, 2001. Operations Enduring Freedom, Noble Eagle and Iraqi Freedom have demonstrated that Guard and Reserve forces are critically important to the national defense.

The threats our nation faces today have resulted in critical but necessary reexamination of old ways of mobilizing the Reserve and employing the strength that it represents. It has demanded and resulted in transformational change. That is evident in the excellent written statements our witnesses submitted and the stories we read in the news every single day.

The global war on terrorism is reshaping the reserve component in ways that were not foreseen just 10 years ago. It's been my privilege, along with Senator Zell Miller, my colleague from Georgia, to establish the Senate Reserve Caucus to emphasize our determination to support you and your personnel in this all important effort to make the Guard and Reserve full players in our national security. And I thank our witnesses for their great service.

I also want to underscore that our first subcommittee hearing this year on February 25, 2004, dealt with the subject of sexual assaults in the armed forces. We received assurances from Undersecretary Chu and the service vice chiefs that they are addressing this problem and are committed to taking the necessary steps to assure that sexual assaults are prevented to the maximum extent possible. And when they do occur, appropriate responses are made and resources provided to victims. I intend to question each of our witnesses today about their views on this effort.

Today our focus is on the reserve component and on the posture of the Guard and Reserve as we commence the second phase of Operation Iraqi Freedom. We are eager to hear about the status of our reserve component forces, their readiness to serve, the morale and contributions of guardsmen and reservists and the recommendations of the witnesses about the legislative agenda for FY 2005.

We are particularly interested in the status of families of deployed reservists and guardsmen, their access to services and support and recommendations for increased assistance. As we all know, the families of deployed service members make many sacrifices and pay a special price while their loved ones are deployed in harm's way. I want to emphasize again today that our country has the best military force in the world. And that force includes members who in addition to their regular careers and family obligations, have agreed when called upon to set aside their every day lives and to serve their country as an integral part of our national defense.

It is our obligation and responsibility to ensure that the transition to and from military service is the least disruptive possible. We must provide the support and quality of life programs that show our Guard and Reserve members that we will take care of them and their families.

We have three panels before us today. First, we'll hear from Mr. Thomas Hall, Assistant Secretary for Reserve Affairs. Mr. Hall, welcome back. We're glad to have you this morning.

HALL: Thank you.

CHAMBLISS: Our second panel will consist of the Chief of the National Guard Bureau and the directors of the Army and the Air National Guard.

Our third panel will be comprised of the chiefs of the Army, Navy, Marine Corps and Air Force Reserve, and I will introduce those witnesses later as they appear.

Before we hear from Secretary Hall, my good friend, my colleague, great supporter of the Guard and Reserve, as well as the active force, Senator Nelson, who I am always pleased to have sitting by my side and working side by side with him. I'll turn to you for any comments you'd like to make.

NELSON: Well, thank you, Mr. Chairman. I want to thank you in particular for holding this very important hearing today. We have worked so very well together on so many issues. And the importance of this hearing today can't be overstated.

And I join you in welcoming our witnesses, both the civilian and military leadership responsible for our Guard and Reserve forces. As a matter of special privilege today, I'd like to recognize two National Guard soldiers who are with us today, Specialist Jeremy Long (ph), from the 105th MP Company of the New York Army National Guard is here with us today. Specialist Long (ph) was wounded in action by an IED, an improvised explosive device, that resulted in the death of his driver. Specialist Long (ph) is in a medical hold status at Fort Drum, New York.

Specialist Long (ph), we thank you for your great service. Stand and please be recognized. Thank you.

(APPLAUSE)

I also would like to recognize Sergeant Luke Dougherty (ph) from Lincoln, Nebraska. He's a husker. It's good to have you with us. Sergeant Dougherty (ph) is a scout in the Nebraska Army National Guard. He has served and earned the distinction of competing for and winning the esteemed title of the Nebraska Army National Guard NCO of the Year. It's a very high honor, indeed.

We're very proud of you. Competing for and winning this award is the mark of an outstanding soldier. And we offer you our congratulations. And we Nebraskans and all Americans are proud of you. And I want to thank you once again for your great service to our country. Please be recognized.

(APPLAUSE)

NELSON: Senator Chambliss, this hearing today which you have called and we appreciate so much gives us an opportunity to address the future of our reserve components.

What is the role of our National Guard and Reserve forces in tomorrow's national security strategy? Should they be more integrated in homeland security and homeland defense with shorter and fewer deployments? Just where should they fit in in the array of military forces available for deployment?

Those are the questions that will be answered. Don't get me wrong, the issue is not whether they will be used, but rather how, when and where will they be used. Our Guard and Reserve forces must be trained and ready, but ready for what? Until we know how they'll be used, we don't know what to train them for or how to equip them.

So today, it appears that our National Guard and Reserve forces are primarily forces available for deployment. Would they be better used if they were more integrated into our homeland security homeland defense mission? If so, they would still be available for deployments, but not first in line. We need to know the vision for the use of our National Guard and Reserves so that we can ensure that they are prepared for that mission.

And another area that warrants our attention would be lessons that we learned from the current mobilization. As of December, we've mobilized nearly 320,000 Guard and Reserve personnel in support of our military operations throughout the world. As of last week, we had over 176,000 National Guard and Reserve personnel on active duty. These men and women have answered our nation's call to service, and they've performed magnificently.

But their service has not been without challenges. Many were ordered to active duty on very short notice, sometimes as short as 72 hours. This didn't give them the realistic time or opportunity to prepare themselves or families or their employers for their service. Yet they served.

Some took a significant pay cut when they reported for duty. Yet they served. Some reported to active duty and were not paid properly or at all. Yet they served.

Tours of duty were extended with little or no notice. Families and employers had already made plans for their return. Yet they continued to serve magnificently.

Some were injured while serving, and we failed to process their orders currently, denying them pay and medical benefits. And yet they served.

The men and women of our reserve components have continued their outstanding service despite all of the problems that I have just mentioned. We need to learn from these experiences to make sure that we have corrective measures in place to prevent them from recurring.

Senator Chambliss, we are all fully aware that our nation cannot successfully conduct a significant military operation without the participation of our National Guard and Reserve personnel. So I look forward to the testimony of our witnesses today regarding the future role of our reserve component and how we can address the problems recently experienced by our mobilized troops and provide better security for our country and treat our troops more fairly. And I thank you once again for this opportunity.

CHAMBLISS: Thank you, Senator Nelson.

Secretary Hall, we have your full statement in the record, and we look forward to hearing your summary of that statement at this time. Please proceed.

HALL: Thank you. And I wanted to follow on your initial remarks about family because this summer, I will be married 41 years. And my wife often speaks of her challenges in dealing with me. So I echo that.

I have a very short statement in the interest of time. And thank you for entering mine into the record, my written one.

And, Mr. Chairman and Senator Nelson, I thank you for giving me the opportunity to speak to you today on behalf of our 1.2 million guardsmen and reservists. This committee has always been very supportive of our reserve components, and we thank you for that support.

Our reserve components are at a pivotal point. And how we collectively navigate the crossroads we've encountered will effect all of our forces, both active and reserve for some time to come. As you know, we're in the midst of one of the longest periods of mobilization in our history. This mobilization revealed areas that need improvement.

Like the mobilization process, as Senator Nelson discussed, they are troop stress and high demand, low density units, family support, employer support and the need to rebalance the force. My printed statement goes into detail on those and many other areas of concern as well as proposed legislation designed to address those problems.

Many have said we need more end strength. But what we found is that we need to remission and re-task the troops we have. And it's very important. I don't believe that we are out of people, but we're certainly out of balance.

The usage rate across the force is not consistent, and rebalancing must occur to alleviate reusing the same troops over and over. Producing troop stress is one of our greatest challenges and is at the top of my list.

Along with rebalancing, we're into our second year of exploring the continuum of service program, which helps improve force management. We're looking wholistically at the complete range of statuses from pure civilian to active duty military. This could provide access to various levels of participation, civilian acquired skills, volunteer availability and additional training. This will require further exploration, innovation and flexibility.

My statement describes two continuum of service efforts underway, and we expect many new ideas that may require legislation if you agree with it. While we ask our people to do more, we must never lose sight of the need to balance our commitment to country with our commitment to family, to their civilian employer. That is why rebalancing of the force is so critical, the continuum of service so crucial and relieving the stress on the force absolutely essential.

Now I've had the pleasure over the past few weeks and months to visit Fort Bragg, Fort Hood and Fort Irwin and to see and interface with the members of the 30th, the 39th and the 81st Brigade to the National Guard that are training up for their deployments to Iraq. I wanted to see firsthand how the training was going, what equipment the training was being conducted on, how the conversion from heavy status to lighter armored units was going and most of all, what was the attitude and opinion from the deck plate, as we say in the Navy, of the young men and women that are doing the training.

I asked them directly about their expectations for the deployments, what they thought about being mobilized for 16 to 18 months. How about the 12 months boots on the ground? How were their families and employers reacting to the mobilization and finally, were they going to stay in or were they going to get out following the mobilization.

I look forward to following up with you on many of their answers. But let me say in this statement what I found was wonderfully excited and dedicated soldiers who are answering the call of their nation. And I found virtually no difference in the attitude and dedication of these Guard troops that I found during my 34 years of active duty when I deployed with squadrons around the world.

These young men and women, like their active duty counterparts, represent the finest this nation has to offer. And I thank you for this opportunity to testify on behalf of the greatest Guard and Reserve in the world. And I look forward to your questions.

I just wanted to say that the other panelists that follow me I did a little review. And we have, with my 38 years of service, almost 300 years of military service to our country. And I greatly respect these gentlemen and their service.

One of them, Lieutenant General Jim Sherrard, will be retiring within a few months. He has devoted his entire adult life to service of his country. And I want to recognize that service since it might be the last time he appears before the panel.

And thank you. And I'm ready for your questions.

CHAMBLISS: Thank you, Mr. Secretary.

And Senator Nelson and I along with, of course, other members of the Senate have had an opportunity to visit with our guardsmen and women, too. And they are doing a terrific job. And I have found the morale of those individuals who are serving to be very, very high.

However, when you talk to their spouses, you talk to the folks who all of a sudden have been cast into the role of paying bills when they've never done that before, who are having to worry about a flat tire when they've never had to worry about that before, when they're having to worry about making sure that their kids get to school on time every single day and they get to work on time every day, it becomes another issue.

And I know you do surveys. I know you do counseling from time to time with families of deployed individuals. But tell us, if you will, first of all, I'd like to hear the good side of it with respect to what you did hear from the troops. But also, have you had an opportunity to engage with spouses of those deployed individuals? And what's their reaction to these long-term deployments?

HALL: I have had the opportunity to visit with the families. I conduct a town hall each and every place I go and invite the families. I have gone to deploying troops in which they brought their families together and I spoke with them about the challenges. Of course, during my active duty service, my wife had to cope with deployments, but we had an active duty base where we generally lived around so we were located near that base where we had a support mechanism.

The challenge for our Guard and Reserve is they're dispersed throughout the country, and they're not near an active duty installation that might have the support facilities. And I would ask my colleagues that follow to talk to you about their individual programs. But from our perspective, we are dedicated to ensuring that each and every spouse of every deploying trooper is contacted during that deployment or before that deployment by someone to say, "I am your support system."

And the manner in which we do that since in many places we don't have the exact unit that you're serving in is to take a joint approach. The National Guard has over 400 family service centers throughout the country. We have 700 total if you add the rest of our reserve components. And certainly within those 700 centers, within that radius, there's going to be someone that can help you.

So I applaud General Blum's efforts also with his jointness within the individual states to try to draw together a headquarters where we will have representatives from all the services that can help with the spouses out there.

We also have established about two years ago a Web-based system where we have counselors and advisers 24/7 that can answer questions that you might have if you're a spouse left behind on any topic. And what we've also done — and I've done a little bit of a check on that in two areas. We've gone to the deploying troopers and we've laminated a card. And it gives that telephone number that you're supposed to — and assuming they take it home to the spouse — here is the

number to call.

We also have a Reserve affairs Web site that we operate. We have tool kits. So I think I would leave it to my colleagues to talk about their individual programs. But what I want you to know is that based on my own long military experience, the support of those families and those children during their hour of need when their members are gone is absolutely critical. And we're dedicated to continuing the programs that I mentioned.

CHAMBLISS: One of the issues that we continue to talk about as we move through the authorization process, last year's as well as this year's, is equalizing benefits between the Guard and Reserve and active force. And while we never will get to the point to where they're totally equal and probably shouldn't, there are certain things that we feel are important from the standpoint of not just morale, but also recruiting and retention and in order to give you the assets and tools you need.

You referred in your written statement to the Rand study that's currently being conducted regarding the impact and cost of reducing the age at which reservists can collect retirement. This has been a much asked for issue on the part of reservists. And the down sides of reducing the age to 55 include higher cost to the government and perhaps service members staying in longer and, therefore, preventing promotion opportunities for more junior personnel.

However, there is an intangible benefit, which I'm not sure the Rand study will study and the cost data take into account. And that is the benefit to the Reserve and the cost savings achieved by giving people an incentive to stay in the Reserve for a longer period of time. It seems this would likely save money by retaining our most well trained people, thereby having fewer new people that we have to train to replace them.

Can you comment on the likely cost savings that we may achieve through increased retention of more senior officers and enlisted personnel?

HALL: We believe and I believe personally very strongly that we need to take a very broad look at our pay, benefits and compensation. And anytime we get ready to change that system, such as the 55-year retirement or other kinds of proposals that have come forward, we need to ask are the intended consequences of that to target those bearing the brunt of service today, those ones serving.

We have about 130,000 of our guardsmen and reservists between 55 and 60. Thirty-thousand of those are still serving. They are ones that are dedicated Americans that have already served, but they're not the ones that are deploying today.

The Rand study is about one year into its two-year study. Preliminary results tell us that our younger guardsmen and reservists serving today, 17 to 30-years-old, heavily discount deferred compensation. It is not something which is important to them for recruiting and retention.

What they put a high price on are the kind of benefits that we can give them and their families today to enhance their service today. So we want to make sure that if we make any changes and if the top line remains the same and we only have a certain amount of money to spend, that we target it towards those serving and bearing the brunt today.

And we believe that some of the proposals with TRICARE and 55-year retirement do not do that. They are very costly, and they do not have an impact on recruiting and retention of the people that we need to retain. Many of those people to be effected by the early retirement are military technicians that are very valuable that serve between 55 and 60.

So I guess as a bottom line, Mr. Chairman, I think we need to be very careful and target the limited funds we have to support those bearing the brunt today, not deferred compensation. And I would like to incentivize people to stay longer rather than leave earlier. People are healthier. We can use them. And so, I think incentives ought to be towards staying longer rather than leaving earlier.

CHAMBLISS: Now speaking of TRICARE, Senator Daschle and Senator Lindsey Graham appeared before this subcommittee at a previous hearing and made a presentation on their proposal to provide TRICARE or make TRICARE available to our guardsmen and reservists. And that's an issue that we'll be discussing as we move through the authorization process.

But in looking at the budget from DOD, there were no initiatives that were forthcoming in this area. In your testimony or in your statement speaking on behalf of DOD, you state your intent to implement Section 702 of last year's National Defense Authorization Act which does allow TRICARE enrollment for reserve component members who are unemployed or ineligible for employer-sponsored health benefits. When do you expect Section 702 to be implemented?

HALL: Dr. Winkenwerder and the assistant secretary of defense for reserve affairs that I believe you have spoken with I have talked with as recently as this week. They're moving forward to implement that as soon as they can. They have not given me the date, but I am convinced that they are moving forward on that.

And if I might, if you wanted to talk a little bit about the other provisions of TRICARE, we can or we can defer that because I have a few comments on what Congress passed last year and how we're proceeding on the other provisions.

CHAMBLISS: Well, I think it's such a critical issue, anything you want to add to or address, we would welcome.

HALL: A couple of areas, the TRICARE demonstration program that has been in effect for a couple of years which extends for people that are in the current mobilization where our guardsmen and reservists and their families have the opportunity to waive the non-availability statement, waive the \$300 pay where they have the opportunity for 115 percent pay on and above TRICARE has been exceptionally well received by them, and I thank you for that.

Beyond that, the provisions that you mentioned from 702 on down through 708 last year, I think, are very helpful, in particular to have — which is already implemented — the 180 days when a guardsman and reservist leaves service and exactly the same as the active duty, that they and their families may be cared for for 180 days to allow them to transition to their civilian policy and their job is very, very helpful. That's already implemented.

The rest of the provisions which involve up to 90 days ahead prior to your deployment, you may be treated and your family is in the process of being implemented. So what I believe you provided was a framework which the Department of Defense is working hard to implement. There are some ending dates, as you know, on the 31st of December for some of the provisions.

I think it should be perhaps considered should those dates be extended, that certainly your judgment on that. But I think we have an adequate TRICARE implementation from last year, an adequate. And perhaps it could be extended.

But I do not see at this point that having TRICARE for non-mobilized personnel all the time in a drilling status is the wisest use of our funds. I think it's adequate now. Perhaps the provisions could be extended, and we need to work very hard to implement all the provisions as soon as we can.

CHAMBLISS: Well, I would encourage you to do that. There were reasons why that was part of last year's Defense Authorization Act. We need the department to act on that. We made a commitment to the guardsmen and reservists, and we need the department to move.

HALL: Yes, sir. I think Dr. Winkenwerder has received your message loud and clear on that. And I will continue to relay that. And I will support that as rapid implementation since my portfolio is the Guard and Reserve. And I'll continue to support that.

CHAMBLISS: OK.

Senator Nelson?

NELSON: Thank you, Mr. Chairman.

The statistic of 130,000 Guard and Reserve personnel being between the age of 55 and 60 means that in the near future, 9 percent will be retiring. Is that your understanding as well?

HALL: Yes, sir.

NELSON: So recruitment and retention of the below 55 members is going to be extremely important. And that's why I applaud your efforts to try to make sure that the compensation and benefits are competitive with the outside world in terms of employment. It's also why we have to work on some sort of rebalancing of the Guard mission.

Now in rebalancing the forces, Secretary Rumsfeld in July of 2003 issued a memorandum. And one of the objectives contained in the memorandum was to, quote, "structure forces in order to limit involuntary mobilization to not more than one year every six years." It appears that the objective is designed to provide some degree of predictability to those who choose to join our Guard and Reserve forces.

And in spite of the, I think, well-intentioned effort here, I've heard this concept described in two rather inconsistent ways. One description is that it is in a sense a limit. Guard and Reserve personnel can plan on no more than a one-year mobilization in a six-year period, barring extraordinary circumstances when, of course, they would do whatever our

national security might require.

The other interpretation, which I received recently when I was back home, was that the Guard and Reserve personnel should expect to be mobilized one year in every six. And the Guard member talking to me about that said that explaining to an employer or a spouse that a service member expects to be deployed is quite different than explaining that if he or she is deployed under normal circumstances, it wouldn't be more frequently than one year every six years.

Do you know what the Department of Defense position is on that? Is it a limit not to expect it? Or is it an expectation to expect it? Maybe you can help. And another objective stated in the secretary of defense's memorandum was, quote, "structure active and Reserve forces to reduce the need for involuntary mobilization of the Guard and Reserve, eliminate the need for involuntary mobilization during the first 15 days of a rapid response operation."

I would first like to have you explain the first, if you can and then approach the second quote.

HALL: I certainly can and am happy to do that. I'm very familiar with that memo. First let me say both of those are planning factors. They are not policy. And they are not, should not be taken so. To answer to our guardsmen and reservists, they should not expect an interpretation of those. Those were planning factors. And the genesis of it, sort of, was the following.

The secretary of defense asked us to look at over the past 13 years how many times we had mobilized. We have mobilized our Guard and Reserve eight times over the past 13 years. He asked for us to look within those mobilizations how many times do we mobilize people two, three and four times because that puts a great deal of stress on the employers and families.

We found out that was a small group that went two, three and four times, only about...

NELSON: Was that because of the skill sets that they have?

HALL: Yes.

NELSON: Would it be transportation or something of that sort.

HALL: Yes, sir, I was just getting to that. That's about 28,000 of them, 3 percent. And we discovered it's all the same skill set. It's civil affairs. It's mortuary units. It's force protection. It's air traffic control.

So while it's a very small amount, if we continue to mobilize them, then we're going to have problems. He asked, therefore, another question. How many of our Guard and Reserve have we used since 9-11? And we have used about 37 percent. But we have 63 percent that we have not used. So it's as important to look at the ones that we have not used as the ones that we have used.

And then come to some conclusion as to whether we need to rebalance. So we went to the services and said given a planning factor of one in six — he said it might be one in four. It might be one in five.

Why do we have to every time we have a crisis in the first 15 days call up the Guard and Reserve because we have 1.4 million active duty? Can't we handle each and every crisis without always to go to the Guard and Reserve? And are you going to be able with your active and Guard to restructure your force so that we can provide predictability?

And you hit upon it. Predictability is the most important thing. I know my own family wanted to know when are you going on deployment, how long are you going to be there and when are you going to be home. And an employer wants to know that. So the services have each looked at and said we think we can rebalance. Some of them differ somewhat on the one in five and one in six. And that was only picked perhaps that's a stress point.

And we don't know whether if you're told once in every six years you're going to have to go for six months whether that's too much stress or too little. But without taking an analization and developing the metrics, we have nothing to work with. So in '03, we have rebalanced about 10,000 billets. In '04, we're currently rebalancing 20,000 and then 20,000 in the budget that's before you. We have about 50,000 more to go.

And so, as we rebalance the 100,000 or so billets in these critical skills and build more civil affairs, build more military police, then we won't have to go to the well in those critical specialties. We hope to tell a guardsman or reservist some idea of what in a normal circumstance would be a requirement for mobilization. So we're using them as planning factors. And from that, we hope to develop predictability models.



So I would say the guardsmen and reservists — and by the way, I think guardsmen and reservists expect to be called up whenever their nation needs them. That's the kind of young men and women they are. And so, they will do whatever. But they do want to know so they can work with those employers. That's why the memo, and that's the genesis. We're about halfway through that rebalancing effort and expect next year to get the remainder of it and develop the type of force that we need.

NELSON: Well, in the process of doing that, Mr. Secretary, will you be — right now, the Guard and Reserve units that you just described with the skill sets are first line.

HALL: Yes.

NELSON: So that's a layer. They're the first ones to come in. Are you working to have it more of a tranche that goes down alongside?

In other words, they can be for excess requirements or for additional surplus complimentary and supplemental as opposed to front-line so that if somebody is in the civil affairs with that skill set and that unit, they know that they'll be called if you go above a certain level of active duty forces as opposed to you're going to go up there every time and you're going to have multiple deployments because we haven't rebalance yet?

HALL: We're approaching it in a couple of ways. First of all, we're not transferring from the Guard and Reserve large amounts to active duty. We're rebalancing within the active and rebalancing within the Guard and Reserve.

And what we're doing particularly within the Guard and Reserve is creating a larger base to draw from so if you build more civil affairs people, then you don't have to go to the same ones each and every time. So we are rebalancing not by transferring between components, but within the components to provide a larger base.

And my colleagues can give you some examples. One of the artillery is the best. We have a lot of excess artillery because of our strategy. We're creating 18 provisional military police battalions from those artillery battalions training out in Fort Leonardwood. They're provisional for a couple of years.

They will have an MOS. If later on we need to say, well, we need to move them back the other way. So we're hedging against the requirements creating a larger base to draw from thus not stressing the same individuals all the time.

NELSON: Well, I understand that. But it seems to me that we're setting it up, therefore, to be that the Guard and Reserve units are not supplemental. They're going to be primary. It's just whether you have enough of them so where each of them has a multiple deployment.

I was hoping that you were going to find a way to absorb some of those skill sets in the active duty forces so that the Guard gets called in those unusual circumstances where you need more personnel, not because you need their particular skill set so that they can count on being called up on any emergency. So I'm a little troubled.

I think a tranche approach as opposed to a layer approach would seem to me to make more sense so that you don't have to call on them until you get to the point where you've exhausted all the active duty troops. I think, otherwise we're setting up where they can expect a call-up as opposed to not expecting a call-up unless circumstances are so dire or the use or sustained use of active duty troops would require them to come in and provide some support.

HALL: Well, it's a point well taken, and it echoes Secretary Rumsfeld's concern that we need to — for instance, do we need to build more civil affairs capability within the active duty so that we have it there to be used and we only go down to the Guard and Reserve after we've used that up.

There's another way in which you can do it. We have later deploying active duty forces for other contingencies that could be moved forward. You certainly incur a risk if they're designed for another contingency.

NELSON: Of course.

HALL: But you assess that risk. You can move them forward and use them in the early stages and not have to go to the Guard and Reserve each time to be careful with the risk you have. His concern is exactly that.

So unfortunately, in some cases, civil affairs, as an example, is an ideal mission for the Guard and Reserve because the kinds of people do that in their civilian jobs as city managers and those kinds of skills. So it's ideally suited to the Guard and Reserve. It's a little more difficult on the active to maintain those skills. But we're looking at accomplishing what you want as part of this rebalance.

NELSON: Well, you'd better tell the people who are in civil affairs you're more likely to get called up because of what your skill sets are.

HALL: Yes, sir.

NELSON: So that perhaps, depending on the unit and depending on their particular skills, they're less likely to be called up, others are more likely to be called up.

NELSON: Because if we're dealing with expectations, I think we have to deal realistically with what those expectations are up front. Otherwise, I don't think it's being fair to the Guard and Reserve units. And we want to be, and I know you do, too — want to be fair.

HALL: Yes, sir, I agree. And I think my colleagues can also perhaps elaborate somewhat on their approach to the expectations that they are doing with their individual components. But I concur with you.

NELSON: Well, I've got another question, but I think what I can do is ask perhaps some of the other members of the panel, then that'll deal with the use of Guard and Reserve units more for homeland defense that it doesn't downplay or in any way denigrate their service to the country but probably has a greater impact on homeland security rather than having them the equivalent of an active duty force, an active duty force that's only home for a period of time until they get called up again.

But they need to consider themselves active duty just not called up at the moment. And I don't think that's what they're signing up for. And I hope we can really deal with expectations in a realistic fashion and a fair way.

HALL: Yes, sir. I would certainly think that General Blum and General Schultz and our National Guard — which is ideally positioned, as you know, in every state for homeland security — would be happy to discuss some of their views on how our Guard forces might be used for homeland security as well as multi-missions that they have.

NELSON: As a former governor and the titular head of the Guard in Nebraska, I appreciate those thoughts because the homeland defense is nothing more than hometown and home state defense when it comes down to it. So, thank you.

Thank you, Mr. Chairman.

CHAMBLISS: Thank you.

Senator Dole?

DOLE: Thank you, Mr. Chairman.

Secretary Hall, many of our Guard and reservists who are called up are either working for small businesses or they are small business owners. And given the historic magnitude of the activations and the substantial economic ramifications from that, would you outline for the committee how you prepare these small business owners and employees for the possibility of 12 to 18 months away?

How do you do that before they're activated? How do you do it after they return? What's the plan?

HALL: It's good to see you. I didn't see you come in. I'm sorry.

DOLE: Thank you.

HALL: I was in the great state of North Carolina and had the opportunity to go and talk to some business owners. I went to Newburn, North Carolina, which I hadn't been to.

DOLE: Right.

HALL: And I talked to a town hall and a couple of groups. And one of the young men — they're sort of all young to me today — came up and said I own a company. There are five of us in the company. I'm the owner. I'm in the Guard and Reserve. My number two is in the Guard and Reserve. And we're both being called up, and there are only three people left in my company.

I think it highlights — and you have the very problem that we have in dealing with employers. The large companies — Home Depot, who has 1,800 people mobilized, Mr. Nardelli does — does not have the same challenge as people with practices that are gone and are small businesses.

DOLE: Yes.

HALL: So we're looking for ideas, trying to work with them to see what we can do.

DOLE: We are a state of small businesses, North Carolina, most definitely.

HALL: And I asked the owner of this company in Newburn what are you going to do. And he said, well, the three others are going to carry on and hiring some temporary employees. So I think it is an area where we work with them, we try to do what we can.

There are a number of ideas and proposals for tax breaks for companies and things which are potential areas that could float around. But I think it is our largest challenge and not with our big companies. But you hit upon it.

And also I would mention doctors and perhaps attorneys who have practices because when you leave, your clients have a tendency to go somewhere else. So, we are working closely with them as we can.

DOLE: Right.

HALL: And we're also always examining potential legislation and other things by which we could help them.

DOLE: OK. Several weeks ago, Dr. Chu was here and he talked about the implementation of the DIMERS (ph) system that will include every Guard and Reserve member as an integrated part of the DOD database system.

HALL: Yes.

DOLE: And the target date for that, I believe, is the first quarter of the year 2006. In your opinion, will DIMERS (ph) resolve the record keeping discrepancies that we've been dealing with that continue to plague the Guard and Reserve members? Do you think that's going to take care of it? And how do you propose to resolve pay problems in the interim?

HALL: Yes, ma'am. The need for this has existed for a long time, including the time that I was on active duty. And you're quite right, the initial operating capability of the DIMERS (ph) system is '06 with a full operating capability in '07.

In the meantime, we have a more pressing problem, and that is with pay. And I believe we have a commitment to pay accurately and quickly our Guard and Reserve and our active duty. Therefore, recognizing that, there is an initiative that will speed up the common pay system, not the personnel.

And it's called Forward Compatibility Pay. And I met with that group a month ago, and they're going to back up to initial operating capability in '05 a pay system that will make a common pay system and continue to work on getting the personnel system down the way.

Now in addition to that, the problems we experienced, which you're well aware of, with paying some of our Guard and Reserve are recognized earlier in the year. We mobilized some military pay companies. We asked the DFAS, the Defense Finance System to hire some people and have attacked that problem. And we are committed each and every time we hear of a pay problem.

So there are some more initiatives to speed that up. And when DIMERS (ph) is fully implemented, it is the long-term answer, but we needed to do something quicker. And we're going to work on pay, and we're not going to wait until '07. It'll be IOC next year.

DOLE: What about reenlistment incentives, the difference between the two, what's available to National Guard soldiers being different? What is the National Guard doing to address the difference? And how can the Senate assist in this? I'm wondering if there is any reason why the statutory limitation should not be changed.

HALL: No, and I, again, would — General Blum and Schultz and James can talk about what the National Guard is doing in particular on those programs. I think what we attempt to do is to recognize that there is a difference in the type of service. And being unequal is not necessarily unfair.

Our bonuses and our pay should characterize the nature of service. And certainly, this is not your grandfather or your father's Guard and Reserve. And people are serving longer periods of time. But still, the difference between being part-time and full-time, it's somewhat blurred.

We have to recognize that type of service and ensure that our bonuses and pay recognize that. I think they do fairly, but as to the exact approach of the Guard and Reserve on bonuses, I would defer to them on the next panel.

DOLE: Fine. Thank you.

Thank you, Mr. Chairman.

CHAMBLISS: Mr. Secretary, the figure of 20 to 25 percent of the current deployed troops in Iraq being Guard and Reserve and also the figure of when the next rotation is completed at the end of this year that that figure will rise to as much as 50 to 55 percent, are those numbers accurate?

HALL: I think a figure of closer to 40 percent is what we're going to grow to within the Guard and Reserve forces is the number that I've been working with. I have not heard as high as 55. But I think it's safe to say with the upcoming Iraqi Freedom rotation, we will have about 40 percent of our forces will be Guard and Reserve.

CHAMBLISS: Well, that means that even though you're rebalancing the force — and I understand that — and you're trying to make do with what you've got, I'm a little bit concerned about the answers to some of your questions today relative to the deployment, relative to benefits.

And I sure hope that there's a lot of thought process going on every single day as to how we're going to make sure that we're treating our current guardsmen and women and reservists fairly and equitably and that we are committing the resources to them that really need to be committed to them and also that there is planning on the part of your office for how to implement these benefits that have already been provided.

And I can tell you that there will be additional benefits given to guardsmen and reservists during this authorization process. So there's a challenge out there to make sure that we have these men and women very well prepared when they're called on. We know they're going to be called on.

So I would just ask that your office continue to re-think the process of providing these additional benefits that have already been provided and that will be provided and that we make sure that we are treating these men and women and their families in the way that it's a consensus of the members of Congress want them to be treated.

And don't think that's any different from what folks at DOD think. But I am a little bit concerned that we are not moving at the rate and in the direction that I think Congress has asked the department to proceed with respect to our guardsmen and reservists.

Anything else?

NELSON: Well, one final thought, in terms of the compensation, to be fair to our Guard and Reserve units who are deployed, we've proposed — and I would hope that DOD would support — the equivalent of a 401(k) deployment fund. In other words, permit Guard and Reserve men and women to put aside money with favorable tax treatment so that at the time they're deployed, they can pull it back out and supplement their income.

In other words, it's really providing for that day of deployment. Others might consider it a rainy day fund, but this is a deployment fund that would benefit, particularly those individuals in practices or who have businesses that would see a sizable reduction in their pay and their income due to deployment. This would at least help them average that out so that they get it done.

Well, we proposed that last year. It got to the Finance Committee, and I think it died. But if we had the active support of DOD, I don't think it would languish. I think it might actually see the light of day and think it'd be very beneficial to a number of our members of the Guard and Reserve units.

HALL: Yes, sir.

CHAMBLISS: Secretary Hall, thank you for your testimony. There may be additional written questions that will be submitted to you by these three senators as well as members who could not be here. We'd ask that you'd please get those responses back to us as soon as possible.

HALL: Yes, sir. And thank you for chairing, by the way, this Senate Caucus. I appreciate having the opportunity to be with you and speak to that group. And I thank you for that leadership.

CHAMBLISS: We appreciate you being there the other day and doing a great job speaking to us.

HALL: I'm going to stay with my colleagues to testify. Thank you very much, sir.

CHAMBLISS: Great. Thank you.

I'd now like to welcome our next panel, Lieutenant General H. Steven Blum who is the Chief of the National Guard Bureau, Lieutenant General Roger C. Schultz, the Director of the Army National Guard and Lieutenant General Daniel James, III, Director of the Air National Guard.

Gentlemen, if you all will please have a seat. Good morning. Gentlemen, thank you very much for your service and your commitment to our country in these complex times that we're in today in the United States as well as around the world. You and the men and women that serve under each and every one of you are doing a terrific job. And from all members of the United States Senate, we say thank you. And we hope you tell them, "Job well done."

We appreciate you being here today. And we have each of your statements, written statements for the record, but we'd ask that you summarize that statement.

General Blum, we'll begin with you.

BLUM: Well, thank you, sir. Thank you, Mr. Chairman, Senator Chambliss, Senator Nelson. Senator Dole just stepped out. OK. Other members of the committee, thanks for the opportunity for providing General Schultz, General James and myself the opportunity to come and testify this morning. We appreciate your appreciation of the tremendous service of these young men and women that we've brought with us today.

Senator Nelson, you introduced two. I'd like to complete the introduction, if I might. I have an Air National Guard member here, Senior Master Sergeant, along with me today.

Drew (ph), would you please stand.

This is Drew Horne (ph) from Pennsylvania. He has a distinguished record in both Afghanistan, Iraq as well as back here at home. And he rounds out the joint team of the National Guard Army and Air. So I completely appreciate your recognition of them today.

(APPLAUSE)

Gentlemen and ladies, your National Guard has three priorities. Number one is homeland defense, which gets to Senator Nelson's issue right up front. And we feel that homeland defense is mission number one for your National Guard both here every day, seven/24 for the last 367 years. And we intend to be your primary force as your first military responders that can be called by the governor in any state or territory of this great nation.

BLUM: But we will not be only homeland defense forces. We see our homeland defense job being in two places, both here at home and abroad and simultaneously. What these great citizen soldiers and airmen have just come back from is really homeland defense in depth or the scheduled away game.

But we must, as you pointed out earlier very well and rightfully be ready for the unscheduled home game at any given time for any act of nature or reduce human suffering or any natural disaster that the governor may need to call military forces to supplement or support civilian forces in their state or territory.

The second priority is to support the war fight. We are a dual-mission force. The Army and Air National Guard are constitutionally established as a dual-mission citizen militia. So in 1903, the Congress made sure that the National Guard was available and able and rightfully so because of the experience of the Spanish American War and other domestic wars, the Civil War in our own nation earlier.

But most specifically, because of some difficulties in the Spanish American War, legislation was put in place to make sure that the Army National Guard and subsequently the Air National Guard — because it didn't exist then, but since then — is dual-mission and does serve as a federal reserve of the Air Force. And the Army National Guard serves as a federal reserve of the Army. We're quite proud of that.

And all of those skills, capabilities, training and equipment are quite transferable to use for responding to the governor. So it actually is an enabler and an enhancer. And I think it's a great — it's what our founding fathers intended, that we would be a citizen militia nation and that we would never go to war without the American people behind it.

And some people call that the Abrams Doctrine. I call that the Constitution. I think that the founding fathers had that in mind, that we would never go to war as a nation without our National Guard. We shouldn't, and we didn't, and I don't think we should in the future.

Now to what degree we participate and how early we get in there and how late we stay, that is subject to debate by the

national leadership. But we were ready to respond and support the war fight anytime, anywhere.

And our third priority is to transform, to change so that we're relevant and ready for today and tomorrow and not a reenactment group that has not changed from the past. And frankly, the National Guard has neglected changing for the last 60 years to the extent it should, not by its own fault. It did what it was designed to do. It did what it was asked to do. It did what it was resourced to do.

And the statutes and policies were put in place for the National Guard to be a strategic reserve to be called upon only for something of the nature of World War III to go overseas. And we were resourced that way, and we were to be a cadre force with higher force structure allowance than end strength, which means some hollowness that would be filled up by volunteers or draftees really. And we haven't had a draft in 30 years, and we forgot to change anything when we stopped the draft.

So our refill mechanism doesn't exist as it did, and our model is wrong for the way we're using the Guard today and will need to use the Guard for the next several years. So we need to transform from a Cold War deterrent structure that was a strategic reserve to be an operational reserve, much like our Air National Guard, which 20 years ago, the United States Air Force fully integrated as an operational reserve element and that the Air Force uses the Air National Guard and the Air Force Reserve every day that ends with y, year around, whether we're at peace or at war. And they know how to manage that cycle where it doesn't stress the force.

Now the Army has now in the last two and a half years discovered the Army National Guard as an operational reserve. And they're trying to apply us as an operational reserve through the mechanism of a strategic reserve, which is why the mobilization system is wrong for today and does need massive transformation. The process is archaic for the way we're using the Guard and the Army Reserve today and the other reserve component forces today.

But specifically, the mobilization process is most flawed when you talk about Army National Guard and Army reservists. And General Helmly will probably talk to that a little bit later as well. So we need to move from that to what we need to be. And that means we need to transform.

Now to get to your issue, the National Guard is no longer — there was an issue several years ago whether we were relevant. And in less than two years from now, all eight once considered irrelevant Guard division headquarters will have deployed overseas, all eight. And we will be starting our cycle of the second time around for those forces that were once considered to be irrelevant.

We have moved from being questioned as being irrelevant to being not only being relevant, we are now essential, as you can see. Forty percent of the troops on the ground in Iraq in Easter of this year will be guardsmen and reservists. One hundred percent of the forces on the ground in Bosnia, Kosovo and in the Sinai will be Guard and Reserve, 100 percent. And a significant number approaching somewhat slightly less than half of the forces in Afghanistan will be Guard and Reserve.

So we are clearly an essential force. And if we're going to be essential and we're going to be necessary and relevant — and now people around the — in the Pentagon and DOD and in the Congress really see the need that some governor saw five, six, seven years ago for homeland defense. They are now taking that very seriously since 9/11. So in our national security strategy of one, four, two, one — one being homeland defense — the National Guard sees itself as the primary first military responder in that effort.

However, we'll need all the help of the Navy, Air Force, Marine Corps Reserve and the Army Reserve that are represented in this room as well. The American citizen should get all of the capabilities that DOD can bring to the fight without turf and parochialism interfering.

Hence the establishment of a joint force headquarters in every state and territory to facilitate that kind of a response for both the governors if they're called out under the control of the governors, but for the combatant commanders of Northern Command and for the newly established Office of the Secretary of Defense for Homeland Defense. If Secretary McHale would need us to respond through orders to Northern Command, then we have a mechanism to actually plug in your Army and Air National Guard assets to a joint force headquarters.

And moving to the last part, the predictability piece, we need to rebalance the force and get the right, what I call, shelf stockage so I've got enough stockage on the shelf that I don't need to keep rotating the same item over and over and over. I can use it every fifth or sixth time, which gets us to some predictability model.

And, no, sir, we have not guaranteed that you'll be called only in six years or that you would be called every six years. It is to allow something that gives us a little bit of certainty and predictability in these uncertain and unpredictable times.

And lastly, we want to recognize that we're both deployable warriors for the overseas war fight as well as guardians of our homeland. And lastly and most importantly, in the end, it's all about people. And that's why it's so important that we had the opportunity to present these issues and answer your questions to this committee.

Thank you, sir.

CHAMBLISS: Thank you, General.

General Schultz?

SCHULTZ: Mr. Chairman, members of the committee, I say first, thanks for your concern for our soldiers and their welfare and for our families and their well being. Mr. Chairman, I am definitely honored to represent two soldiers here today who represent thousands around the world who have deployed in all corners of this globe. And I just say to you in particular, I believe we're indebted to what they have done, in spite of all the systems, all the processes that weren't necessarily as we would have hoped in place, you know the story as well because you hear from back home without any question.

Mr. Chairman, since the September 11 attacks, we've called to federal duty more than 175,000 soldiers from the Army National Guard. Today we have 94,973 soldiers on duty. They have responded to every call. I am indeed proud to represent them here today.

We must keep in mind also, Mr. Chairman, that we are welcoming home thousands of soldiers from current duty around the world. But as we bring home a number of our members, we are also deploying many of our members.

My point here in this brief opening is to say that while we didn't plan on soldiers responding on very short notice, but for their quality, leadership and their ranks, we were able to pull out some of the missions that we originally hadn't planned in every detail. And they responded to every aspect of the mission.

Mr. Chairman, readiness in the Guard has taken on a new dimension. And we no longer have time to take months of preparation and planning. This is a very different expectation in terms of what we ask of our soldiers and our employers today, which puts a certain amount of stress in the way we go about our operations, the way we go about our business.

My point is we've prepared for a very different war. Our units are not all designed as they ought to be. My point is we have changed on the horizon for the National Guard. And I will work with each of the adjutant generals, General Blum at the National Guard Bureau, no doubt, to line up with each state their current unit set so that we do address the homeland defense missions as well as the rest of the missions required by the Army.

Mr. Chairman, our priorities kind of come down to this. As I'm talking with a soldier about to deploy to Iraq, his concern is not about a bonus. His concern is not about a policy that we may be debating here in Washington. He said, General, what I want to do is bring my squad home safely. And that would be our priority.

Thank you.

CHAMBLISS: Thank you, General.

General James?

JAMES: Mr. Chairman, on behalf of the more than 107,000 men and women of the Air National Guard, I'd like to thank you for the opportunity to come and speak with you here today and thank you for your support of our great Air National Guard, our National Guard and our services in general.

This, as you know, has been an incredible year for the nation and for the National Guard. We've continued to actively participate in the global war on terrorism. We've done so with determination and pride and continued to validate all the things that we thought about ourselves as an organization that if we are trained and resourced to fight, we will deliver the mission as true professionals.

Our contributions over the past year have been astounding, especially when you look at Operation Iraqi Freedom. We've flown over 111,000 sorties for over 340 hours, and we've activated at a peak time, up to 36,000 members. Of special interest, I'm sure, to you, is that Iraqi Freedom was the first combat deployment of the Integrated 116th Air Control

Wing in Georgia flying the J-STARS or Joint Surveillance and Targeting Attack Radar System.

The wing leadership, the Guard and active crew members all performed superbly. And they have validated — except for some administrative issues we still have to clear up — they have validated the concept of a blended or integrated wing. It will work, it can work. And we're very proud of their performance.

We're currently working on a plan to posture the Air National Guard for missions our nation will need in the future. We're currently reviewing the capabilities that we have and those that will be required for the air and space force of the future. We're already well into developing initiatives that will allow the Air National Guard to participate in new weapons systems like the FA-22 and the IQ-1 Predator Unmanned Aerial Vehicle.

We're excited about the prospects of being involved in those new weapons systems and working side by side as we have so effectively in the past with our active component brethren. We're proud of our performance. We're proud of our individuals. Because, as General Blum said, what this really is all about is people.

We appreciate the support that you've given us through the legislation and funding so that we can do our job. Some time ago, the Air Force decided that, as General Blum pointed out earlier, that the Air National Guard and the Air Force Reserve deserve to be funded and resourced at a higher level than they had in the past and really made us and embraced us as full partners in the total force. And we have performed up to their expectations.

In order to continue to do that, we ask that you continue to support us. Thank you for the opportunity to speak with you today.

CHAMBLISS: Thank you very much, General. And thanks for mentioning the 116th. As you know, they hold a very special place in my heart, as does all the activity at Robins. But that particular unit is without question going to be the model for the future of the integrated and blended force. And General Lynn and his folks are doing a terrific job.

And it always makes me feel good when I have an Army officer come in here and testify about what's going on on the battlefield. And invariably, every one of them will mention they couldn't do their job without Joint STARS. And for that to be a joint operation of the Guard and Reserve says an awful lot about the men and women, but it also says an awful lot about the leadership. So I appreciate all of your comments.

Let me just ask all three of you, if you heard my opening statement, I talked about the situation involving sexual assault. And the incidents of sexual assault to any armed forces, including our forces in Iraq, has resulted in the secretary of defense directing a review of policy and programs aimed at preventing sexual assault, investigating and prosecuting offenses and responding to the needs of victims.

I'd like for each one of you to tell us what you've done in your organization in response to the DOD review, what's your assessment of what needs to be done in your organization to ensure appropriate policies and programs are in place.

General Blum?

BLUM: Well, certainly, sir, first of all, we see sexual assault as a reprehensible crime. It must be dealt with harshly, immediately and fully. And I'll let General Schultz tell you what we're doing with the Army Guard leadership. And General James will address what we're doing with the Air Guard leadership to make sure that this is well understood by all service members in all ranks.

General Schultz?

SCHULTZ: Mr. Chairman, based on the point you raise, I've been working with the Army staff and our members of the staff has as well with regard to developing Army policies.

SCHULTZ: The one case we've had in the Guard of a soldier that was a soldier that was on active duty at the time, but no doubt, she's still a member of one of the states and we carry the very specific interest of looking after her own well being as we moved through a pretty troubling case.

So we have inside the Army been part of the review process. In other words, what are the rules, what are the policies that need to be in place. And we've had very active, aggressive staffing on the point you raise here of concern.

Even though the circumstances I'm talking about took place on active duty, we've been in touch with the installation commander and the staff down there to make certain that we can contribute in any way in a constructive sense to the outcome of those cases.



JAMES: Mr. Chairman, as far as the Air National Guard is concerned, we have taken the lead that the vice chief that you mentioned testified earlier, the vice chief of staff of the Air Force, in polling our units to find out how much a problem, how big a problem that we have. What I'm concerned about is do we have the proper training and the proper tools for the leadership of these units out in the field so that they can identify, counsel and prevent sexual assault. That's the bottom line.

So in concert with that, I have personally contacted every TAG in the states and asked that they talk to each one of their unit commanders to make sure that they're aware of what's available, that they understand the signs and that they have processes in place that will not only identify the problem, not only trained for awareness of the problem, but also make sure that we bring justice to the situation and that we are approachable and understand the depth that the victim feels when something like this happens.

Today I am only aware of two cases that have come forward. I would not be surprised if there were more. But I do know that we are focusing on this, and we will take appropriate action. And all of our folks out there in the field will have the proper processes and procedures in place to make sure that this criminal behavior is not indicative of our service.

CHAMBLISS: General, I tell you, this issue is going to continue to get a lot of focus and a lot of attention from this subcommittee because we're simply not going to tolerate this, whether it's an active force, Guard, Reserve or whoever. And the best way that we can find out what's going on is to hear from you who ask your leadership the right questions. And if you don't ask the right questions, you're not going to get the right answers.

Therefore, oftentimes, we're not going to get the right answers. And then we're going to turn around and read a story in the newspaper about some incident that's happened.

So I would just urge that each of you pay extra attention to this issue and make sure that your leadership is well aware of the commitment of each of your respective branches' obligation and commitment to ensure this doesn't happen and when it does, that proper treatment is given and likewise that members of this subcommittee as well as every member of the United States Senate thinks and knows that this is such a critical issue and that we want to make sure that the resources are available to you, that you have all the tools that you need to deal with this issue.

And we're going to continue to ask you questions relative to this issue at every opportunity. So it's an area of leadership that we simply need to start at the top, work all the way to the bottom to make sure that the policies of each respective branch are being carried out.

General Blum, it seems that every week we are reading stories about recruiting and retention relative to Guard, Reserve and the active force. While we're doing pretty good right now, although we've had some slack times with Guard recruiting, I know, we want to make sure that we're doing everything from a legislative perspective relative to, again, giving you the tools necessary to continue to recruit America's finest in each branch of the Guard and Reserve.

And what we've tried to do, as each of you know, is to equalize some of the benefits from a Guard and Reserve and active force standpoint. If you will, tell us the reaction on the other end. Are we giving you what you need? Are there additional measures that might be given to you that will provide your recruiting forces with better opportunities to recruit men and women as well as retain men and women?

BLUM: Thank you, sir. First of all, what we're seeing is the all-volunteer force being tested for the first time in the crucible of an extended war. We're going to see whether our young men and women of this nation and those who influence those young men and women to join the military, either the active, Reserve or National Guard. And this year it's making it somewhat even more trying for two reasons.

One, we're sustaining casualties on an all too regular basis. And two, there's some debate as to how we're prosecuting this war. And other people have varying attitudes on it. As long as the American people feel that what we're doing with our military is right and that we are truly defending our way of life, our liberties, our freedoms, our neighbors, our loved ones, I think the young men and women of this country will respond.

They will answer the call to colors. And they have, and they are. And all of this is counter-intuitive, frankly. I will be quite frank and tell you that I thought recruiting would wane. I thought reenlistments would fall off. And I thought we would be in a lot more trouble maintaining our end strength right now than we are having.

Now having said that, we watch it every day because in the Guard and Reserve, as this committee in particular recognizes, there are three partners to that citizen soldier being there. It's the soldier him or herself, it's their family and

their employer. If any one of those three legs to that three-legged stool fails, we will fail in being able to raise and train and have the capability to respond that this nation needs. So we watch this very carefully.

But in summary, the Air National Guard and the Army National Guard are confident that they will make their end strength this year. We do have a few little hiccups, and there are some reasons for those hiccups. About half of our force used to come from prior service. In other words, they'd come out of the active duty Army, Navy, Marine Corps, Coast Guard and Air Force and they would join our ranks. Some would join our ranks. And about half of our enlistments every year we could attribute to that.

Right now, the propensity to do that is less because if they come into our ranks, the likelihood is that they will be deployed. And they may as well stay on active duty if that's the case. And if they truly want to end their military career and they don't want to end up right back overseas in the short range, they'll probably not have the propensity to join the Guard or the Reserve.

So there's a manpower pool and a personnel fill pool that I think will come back in time. But right now, that is hurting us. So in spite of that, however, we are making our end strength because we are doing well in bringing first term enlistments in. And we're doing much better than we projected to do on reenlisting. These soldiers that you see here are staying with us in numbers higher than we anticipated.

Now thank goodness for that because without that, we would be in trouble right now. And we're watching that propensity to reenlist. If that falls off, then again, we will have difficulty maintaining our end strength.

One place that has been suggested by Senator Dole where we could use some help, frankly, is — we talked about equality, and we talk about equity. In the combat zone, once you're mobilized, everybody over there bleeds red. Everybody faces the same hardships and dangers. There should be an identical, identical, not similar — but that's one place where benefits, compensation and opportunities should be identical.

Right now, active duty soldiers in the same foxhole with these young men can reenlist with a tax-free reenlistment bonus, and we cannot access that because it's policy and statute. I think we need to address the policy. And if you see it appropriate for Congress to address the statute, that would be welcome.

CHAMBLISS: General, you heard Secretary Hall state that he estimates that when the current rotation is completed that 40 percent of the men and women in Iraq will be Guard and Reserve. I've heard higher numbers, but let's assume it's 40 percent. That's significantly higher than where we are today. Are your men and women prepared to meet that challenge?

BLUM (?): Absolutely, sir. The forces that we're sending in, the 81st, the 30th, the 39th and the forces that have been identified, the 278th, 256th from Louisiana and the 116th from Idaho and the 42nd Division Headquarters out of New York will be the best trained, best equipped American soldiers, best prepared to do what they're being asked to do of any American soldiers or any other army that has ever deployed to go into a combat zone. I honestly feel that way.

That is not the way we were when we sent some of the young soldiers that you see here today. Some of them had to overcome a system that did not prepare them as well as the next group will be and the next group that just is arriving in theater right now currently is. Every soldier over there now has the body armor. Every soldier over there right now has the ballistic helmet. Every soldier that we're deploying from the National Guard has the new weapon system, new sighting systems, the individual rapid fielding initiatives.

The Army has put their money where their mouth is on this. And they've put it in front of active duty soldiers. We got it before certain elements of active duty soldiers that are deploying. So the Army is truly for the first time in my lifetime put us first and put the National Guard combat soldiers as the priority for equipping, training and preparing them for this mission. So the short answer is absolutely, yes, sir.

CHAMBLISS: General James, we talked about the 116th and the Joint STARS. We've got an issue there on re-engining those weapons systems. And we, of course, have three options. We can either do nothing, which is going to be expensive from the standpoint of upkeep. We can buy new engines or we can lease new engines. Could you tell me what thought process has gone on and how we're moving in the direction of addressing this issue?

JAMES: I will tell you that you've got it just right. There are three courses of action we could take, all of which are going to cost us money or performance. If we stay the way we are, the upkeep of the current engines and the ceiling that the aircraft can operate is diminished. OK? And the upkeep gets to be expensive.

Purchasing new engines is also expensive. The lease program looks most attractive to me because this is an issue where it's already been benchmarked in the aviation industry and the airline industry. Excuse me. And the proposed lease will get the amortization rate — originally, it was going to be about 14 years. It could be down to as low as 11 years if they use the front end funding that they'd like to use.

There was some funding earmarked to increase the red line on the current engines, in other words, the hot section of the red engines, allow it to operate a little differently, a little higher. It doesn't provide us any more thrust really. I have talked with people from Northrup Grumman and Pratt & Whitney and I personally think that the lease is probably the best way to go.

We don't want to do anything that's going to jeopardize a follow-on aircraft or missions. So we have to look very carefully at the monies we spend and make sure that they will be spent wisely, that will give us the performance that we need and that will not jeopardize the follow-on command and control surveillance airplane.

CHAMBLISS: OK. Thank you.

Senator Nelson?

NELSON: Thank you, Mr. Chairman.

Let me add my comments to what Senator Chambliss said about sexual assault. It's clear that the standard has to be for zero tolerance with the expectation that some day we will achieve that with education, training and prosecution.

I said a few weeks ago that I didn't get a sense of passion from the military in dealing with this, that at that time — it's before, I think, this has been brought to the level that it is right now. It seemed that the military treated it as an annoyance as opposed to a significant problem. I am sensing that perhaps there is a change.

I'm not going to suggest that because we're raising the issue that that's happening. I think perhaps it's a recognition that this is more than an annoyance, that it is a serious problem, particularly when young men and women in the military face dangers from their own personnel in many instances rather than from the enemy. And so, consequently I appreciate what you're seeking to do.

But I hope that you can extend our concern to the commanders under your control, under your command so that they can deal with it with the same passion, I think, we all have to, that it's just absolutely unacceptable behavior. It's not an annoyance. It's a major problem that needs to be dealt with and that you'll deal with it that way. I sense there is a changing.

Maybe it's more a demonstration of concern. I'm not going to suggest for a minute that you've looked at it as an annoyance.

NELSON: But I think people below you say, "Here we go again," or, "Now this is a lot of paperwork," or, "Now I'm going to have to spend a lot of my time dealing with this issue." And if we can treat it the way I'm suggesting, I think perhaps that the incidents will reduce and that some day we can hope that we'll be free of that kind of activity. So I appreciate it.

I note in the training how important it is to have current training for current needs, as you said. When the Guard and Reserve units were left during the interim following the Korean War or Vietnam or what have you that, sort of, it was a Cold War preparation, not a current force prepared to deal with current requirements. And even prepared for what future requirements may require may involve retraining and reprogramming and retooling to be ready to go.

Now, General Schultz, I understand that beginning as early as last December, their bill payer (ph) drills have sought substantial funding reductions from the Army National Guard, including several hundred million dollars from your pay account in order to come up with funding offsets that could be used to help address the shortfalls resulting from the Army's enormous expenditures caused by the deployments to Iraq and Afghanistan.

As you know, we're now at the mid-point of the fiscal year already, and we know that the Army and the Office of the Secretary of Defense will be conducting mid-year reviews to determine whether the funds provided for fiscal year 2004 will be sufficient to last the year and how to realign funding from other programs to make up for shortfalls. Does the Army National Guard have any excess or lower priority funding that can be made available to address the financial challenges faced by the total Army in the current fiscal year? I'll ask you that in a second.

With thousands of soldiers mobilized and deployed, the Army National Guard should be experiencing some cost avoidance from your inactive (ph) duty and annual training accounts. In light of this cost avoidance, I understand that the Army has cut some of your fiscal year 2005 training funds. So the second question is do you have enough training funds budgeted to do the kind of training, retraining, retooling to have a current force to keep up?

So first, do you have any of those funds that might be laying around in unused accounts that others are going to go after? And two, if those funds are taken from you and you're inadequately funded to train, how are you going to meet the expectations that General Blum has already indicated?

SCHULTZ: Senator Nelson, the Army National Guard has been reduced in our personnel accounts by \$334 million for the current year. That's a part of a mobilization offset. In other words, we have 90,000 plus soldiers on active duty today. And so, the discussion, as you know well, would be some of that money could come back into an Army or an OSD set of budget interests.

NELSON: Will it balance at the end of the day?

SCHULTZ: Senator Nelson, the Guard today has enough money to get through 2004.

NELSON: With adequate training to maintain a current force with the kinds of training that you need to do for what your current expectations are or future expectations?

SCHULTZ: Correct. Our operations and maintenance accounts have not been reduced. Personnel accounts have been reduced by the amount that I just outlined. I've met with General Schoomaker, our chief of staff. And he said if you get in trouble, you can count on me to help you out. So I've got the chief's backing should we get in a real bind.

But we, as you might imagine, have moved all kinds of money in different places than we had started this training year because we've mobilized so many more units than we had originally planned. So in '04, we're OK with our personnel and operations accounts.

In '05, there's already an anticipation that we're going to have some level of mobilization. And so, in the budget planning, our accounts have been detrimented by a certain estimate. And that would be the unknown right now, what our 2005 on active duty strength would be. And so, the accounts are right now being adjusted for those amounts.

NELSON: Well, the obvious concern I have is as this money moves from one account to the next, sort of like musical chairs, at the end of the day, will one of those accounts be short as you move around? And that is a concern. I'm not asking you to answer that because you're in the process of receiving, giving. And at the end of the day, it's General Schoomaker's choice to do it.

He may come over to General James and say we need a little bit of money, can you help us out through the rest of the year. I'm sure the Air Force as a matter of courtesy will be very glad to extend that to the Army.

But we are concerned that the training and the retraining that General Blum is talking about occurs because in my experience, when you start seeing cuts and moving money around, something gets left out. It's not going to be payroll. But usually, it's research, development and in your case, training, retraining that can be deferred.

It's sort of like deferred maintenance. You put it off just a little bit more, we'll get it in in the next year, next year. And this is a town where next year doesn't always come when it comes to budgeting and putting things off.

SCHULTZ: Senator, I might also say we've learned a lot of lessons from Iraqi Freedom mobilization rotation number one. And we're now calling units to active duty earlier than we did during that initial period of mobilization. So there would be a burden not on Guard accounts, but more so on the Title 10, the active Army pay account even more so than ours. By the way, we're now mobilizing. We call it a phased mobilization. But it does move money in different places, for sure.

NELSON: Well, we just hope that at the end of the day that all those accounts have the money that will be required to do what is expected and required of the Guard and Reserves.

So I think, General Blum, you made an excellent point in saying that — and all of you — that you have moved from where the Guard was looked at the equivalent of stepchildren and now to the point where you are co-equal partners in war fighting as well as in preparedness for war fighting. I think that is, from my standpoint as a former governor, I think that's encouraging.

It's also discouraging because they pull you out, and governors still need a presence. And suddenly what they need is now deployed somewhere else. And so, I think that it's a mixed bag. We want you to be in the position you are, but we also want to make certain that the homeland and the hometown and the home state needs are being met.

BLUM: Sir, if I could address that for just a moment. I met with the National Governors' Association just about three weeks ago. And if I could get one of my guys to put up a big pie chart in the back of the room right now, this is where I committed to the 51 of the governors of the 54 that were present. The other three I've already subsequently spoken with one on one. And they, too, agree that this makes sense to them.

And I'd submit it to you. With your previous experience, you'd be well qualified to see if this wouldn't satisfy your appetite for being able to fulfill your duties and responsibilities and authorities as the elected official of the state, as the governor and also as the commander in chief of your National Guard.

If you look at the pie chart over here, this green quadrant represents the reality of what we're suffering right now. We're experiencing — it depends on how you want to characterize it, but it's about 25 percent of our force, that green quarter piece of that pie chart is deployed, is overseas, is unavailable to the families, the employers and certainly the governors to be able to respond in the state or the territory.

What I promised the governors is that the yellow block is the next 25 percent that we've identified that are going to be getting ready. And for some period of time, they are available to the governors on shorter periods of responsiveness. But mostly, their focus is getting ready to go do the overseas war fight. So we don't want to interrupt that if we don't have to. But if circumstances are sufficient, then that force is available to the governors.

But the other part, the part in red, the half that's in red is always available to the governors. And what I've guaranteed to the governors or committed to the governors is in our rebalancing as we move to modularity, as we redistribute capabilities around the nation so that each governor has transportation, aviation, engineers, communications, command and control and civil support teams or teams that are tailored to handle weapons of mass destruction or counter-terrorist type response — if we can do that regionally and then ultimately in every state, then we can ensure that this model that you see here would be, kind of, the dashboard model for every state and territory.

Now when I came in as the chief in April, it wasn't that way. As a matter of fact, some states had 75 percent of the states in green gone and left the governors virtually nothing. And I don't want the governors calling the president of the United States saying you're leaving me uncovered. You have to make a choice whether your Guard goes overseas or stays at home.

So what we need to do is rebalance our force, spread the burden, share the pain so that no governor has to put more than a 25 percent contribution for the overseas war fight short of World War III. I'm talking about the rate we're being used for the last three years and we anticipate will be used for the next two or three years at least.

So this model is pretty good. Now General Schultz and General James and I are working very closely with the joint staff and DOD and Joint Forces Command and Forces Command, in particular, to make sure that when we call up a unit — for instance, if we were to call up Pennsylvania, and we need the 28th Division, we don't want to take 80 percent of Pennsylvania out.

NELSON: Right.

BLUM: So what we need to do in the future is redistribute those one-state divisions into multi-state divisions and one-state brigades into multi-state brigades. The governors see this. I've talked to the adjutants general. About 85 percent of them are onboard right now, too. And they'll ultimately all come onboard because it's the right thing to do for America.

And so, that's, kind of, where we're going, sir. And I hope that addresses the fact that we are taking not only the sexual assault seriously, we're taking the homeland defense seriously as well.

NELSON: Well, thank you, General. I think you very definitely are. I recall my days with Adjutant General Stanley Heng who unfortunately is experiencing some health challenges right now. But I had to rely on him on numerous occasions due to emergencies, floods, wind storms and the like.

BLUM: Absolutely.

NELSON: And we had to rely on that. I think what you're doing is you're rebalancing within the Guard and Reserve units. And I think that is important. What I am concerned about based on what I heard Secretary Hall say that we're not

necessarily rebalancing between Guard and Reserve units and active duty. And that's what we're probably going to spend some more time on.

I think the chairman and I are concerned. Maybe we don't fully understand it, but to the extent that I understand it right now, I'm a little bit concerned that we're just setting up the Guard and Reserve units not as excess but alongside over here on a primary basis. And that, I have to learn more about that and understand the logic of that. But certainly, the rebalancing within the Guard strikes me as an important thing, not just for the states, but for fair deployment as well.

BLUM: And if we're going to continue to use the Guard and the Reserve as we have been using it for the last almost three years and what we see as the foreseeable future, the resourcing model — while General Schultz is absolutely correct in what he said. And I would have said exactly the same words or those very similar, we really need to look at the resourcing model for your Army National Guard and your Army Reserve if you're going to use them as an operational reserve. And it is not resourced today to be an operational reserve.

The Air Guard is. The Air Force Reserve is. The Army reserve components are not, and it needs some attention. General Schoomaker understands this and is committed to trying to do something with that. But we may need some help on that when the end of the day comes.

NELSON: One further thing. General James, I know that, as General Blum just said, that the Air Guard is already involved in an operational setting. And it's my understanding that as part of homeland security, that the availability of the Air Guard to provide additional air support in the event of some question about air emergency — for example, on September the 11th, the mobilization of aircraft to try to intercept or at least be in position to intercept the flying bombs that were the result of the terrorist attacks, that they scrambled from somewhere around Cape Cod.

But now that we've got a mechanism in place to have various capacity for mobilization and scrambling in the case of air emergencies. We've had somewhere around 1,700, as I understand it, since we've been in that position. So operationally, for homeland security, that clearly makes sense for homeland security.

I know you're also operational for support, have been for the war in Iraq and Afghanistan as well. But can you tell us a little bit about what's happening there, which really is homeland security for that mobilization?

JAMES: Senator, what happened was as a nation, we made an assumption that we would be attacked from outside our borders. And so, we had at that time seven alert sites with two aircraft each. We had 14 aircraft poised to defend America from outside. Our radars did not look that way; they looked all outside.

JAMES: Our ability to coordinate between the FAA for air traffic and deconfliction and situational awareness was all in a peacetime, external threat environment. Since that time, we've made great strides. And I have to say that the response of the individuals — we may have had 14 airplanes on alert when that happened, but within hours, we had 24, 44, 78. And by the end of the day, we had hundreds of airplanes that were ready to go all across the services.

Right now today, we are operating 16 alert sites. And we also have — we used to call them random, unscheduled combat air patrols that are launched in terms of different things from the president's travel to other threat scenarios and threat levels that we are made aware of. So we've come a long way in that regard.

Now I will tell you that just as that day, 100 percent of those airplanes that were on alert were Air National Guard because that was the air superiority mission that we had accepted. Right now, we have one active duty alert site. And all the others of the 16 are Air National Guard. So we've increased the number. We've also increased the flexibility.

We have sites now that are not permanent sites, but we can bring aircraft up on alert spread out throughout the United States. The majority of the CAPS are now flown, as they weren't originally, are now flown — the agreement is — by the active component. That's the agreement we made so that we could come up to the 16 site number. And there's a bill out there to pay for that. It's about \$170 million per year that we still have to get solved between Air Combat Command and Air National Guard for the FYDP.

So it's expensive, but it's certainly money well spent, in my estimation. So we've come a long way.

NELSON: I appreciate that. And thank you very much.

Thank you, Mr. Chairman.

CHAMBLISS: Thank you.

General, one last question. The issue of making TRICARE available to non-active duty members of the Guard and Reserve was put on the table last year. It's going to be up for discussion again this year. Apparently OSD does not put this at a very high profile from the standpoint of where funds can and should be expended.

What's the thought of the Guard relative to making TRICARE available to your men and women when they are not on active duty?

BLUM: Well, as I said, sir, at the very outset, it's all about people. And we're committed to take care of our people and their families. And as an adjunct member of their family, their employers and that relationship because that is the cornerstone that enables us to be the organization that we are.

When we're on active duty, TRICARE is identical, is identical to the same benefits for soldiers, service members and their families as active duty soldiers. And post mobilization, for 180 days, it is identical to soldiers leaving active duty. The Guard experiences the same thing.

Where we have a discrepancy or where we have inequity or where we don't have parity or identical systems is in the pre-mobilization piece. And you alluded to that earlier. There are certain times where things should be identical and equitable. And then there are other times where the service isn't exactly identical and equitable and maybe the compensation or the benefits should not be equitable.

But I don't look at — I'm more interested in medical readiness as a readiness issue because as a taxpayer and as a senior military leader, I don't want to spend a quarter of a million or \$.5 million training a soldier or an airman and then when I need them the most, I can't deploy them because they were not medically ready.

Right now, the Guard and Reserve is in a real quandary. Our commanders have responsibilities but they don't have the authority and they don't have the resources to address the medical readiness that we really need to address pre-mobilization, prior to them being called to active duty.

And the same thing is even extended to the families when you talk about health care there. I think that needs to be looked at in a wholistic manner. I wouldn't rush into this one because this is a very complex issue. We're not even in agreement among the senior leaders and the people that recognize — we agree with what I just said, but we do not agree on how to fix that right now. And I think that needs to be carefully studied.

Probably what would be useful is the provisions that the Congress put in place last year seem to be reasonable. And we probably ought to use that as a test case. I would encourage them to be extended and we carefully study that and see if we need to make any adjustments down the line before we rush wholesale into trying to fix a problem and actually make it worse by — the cure could be worse than the disease.

CHAMBLISS: Well, this issue is going to continue to be debated as we go through the authorization process. So as senior leadership continues to discuss this, I wish you'd keep us informed as to the thought process that you have on this issue.

BLUM: Yes, sir. Yes, sir.

CHAMBLISS: Gentlemen, thank you very much, again, for your service to our country. Thanks for being here today. Again, we may have written questions from Senator Nelson and myself or other members of the panel. If we do submit them to you, we would appreciate a very prompt response. Thank you.

BLUM: Again, thank you for the opportunity to appear and thank you for your strong support of our uniformed service members.

NELSON (?): Thank you.

CHAMBLISS: Our next panel will consist of Lieutenant General James R. Helmly, chief of the Army Reserve; Vice Admiral John G. Cotton, chief of the Naval Reserve; Lieutenant General Dennis McCarthy, commander of the Marine Forces Reserve; and Lieutenant General James E. Sherrard, the chief of the Air Force Reserve.

Gentlemen, if you all would please find your seats.

Gentlemen, thank you for being here. Likewise, we would say to you thanks for the great work you do and your leadership is just so valuable to our country in these very difficult times. And I hope you will express to all the men and women serving under each of you how much we appreciate their service to our country and their great patriotism for

America.

I want to take a moment of personal privilege to say to my good friend, Jimmy Sherrard, that we're going to miss you come June 1. Of course, you have announced you're going to be leaving and retiring. And even though that's delayed by a year, we needed you. And we appreciate very much you staying around.

General Sherrard was actually at Dobbins, I guess, in 1994 when I was first elected to Congress. He came to Robins in '95, about the time I got there. He was sworn in, and Robins Air Force Base is kind of the heart and soul of middle Georgia. And he knows what a spot in my heart it has. And General Sherrard and I became very, very good friends. He and his wife, Marcia, are great Americans.

And, Jimmy, it's been a real pleasure to get to know you and to have a chance to work with you. And we will miss you, but we know you'll still be around. You've been through some difficult times personally and professionally, and we're glad to see you looking so good and glad you're here today. And we look forward to hearing from each of you.

Lieutenant General Helmly, we will start with you. And we've got your written statements. And if you'll please take a minute to summarize those statements, we'll move ahead.

HELMLY: Thank you, Mr. Chairman. I also acknowledge General Sherrard's service and sacrifice for our country. We are, in fact, all members of a joint team. And I would tell you that the soldiers of the Army Reserve and I'm sure my peers at the table and in the National Guard are privileged to serve with General Sherrard.

Mr. Chairman and members of this distinguished subcommittee, thank you for the opportunity and indeed, the honor, to testify on behalf of the 211,000 soldiers, 12,000 civilian employees and the families of the United States Army Reserve, an integral component of the world's greatest Army, an Army at war for a nation at war. I'm Ron Helmly, and I'm an American soldier in your Army and very proud of that.

I'm joined this morning by Command Sergeant Major Michelle Jones, the senior enlisted soldier of the Army Reserve and two Army Reserve veterans of the current war and operations in Iraq, First Sergeant Bradley Irish (ph), the Senior Non-Commissioned Officer of the 299th Engineer Bridge Company and Sergeant Andrew Carnahan (ph), a squad leader in that same unit.

(APPLAUSE)

First Sergeant Irish (ph) is a school teacher from Maryland. And Sergeant Carnahan (ph) is a college student at the current time.

The 299th was attached to the 3rd Infantry Division, the MARNE Division in their heroic and history-making march on Baghdad and, in fact, was one of the first Army units since World War II to perform a river crossing opposed under fire in order to allow the 3rd Division to move to the other side of the Euphrates River.

Today as we speak, nearly 60,000 Army Reserve soldiers are on active duty in Iraq, Kuwait, Afghanistan and the continental United States and elsewhere around the world as part of America's global war on terrorism serving courageously and proud. They are joined by another 151,000 Army Reserve soldiers training and preparing for mobilization or resting and refitting after just being demobilized.

These modern day patriots are your neighbors who live in your communities, work in your factories, teach your children, deliver your babies, your mail and share your everyday lives. They willingly answered the call to duty to perform missions that they have trained well for.

Since September the 11th, 2001, more than 100,000 Army Reserve soldiers have served on active duty as a part of the global war on terrorism. Tragically, 21 of these soldiers have made the ultimate sacrifice in service to their nation to help keep their fellow citizens and their families and neighbors safe and free. We are deeply in their debt and honor their memories by our actions here today.

Your invitation to testify comes at a time of profound and unprecedented change and challenge in the dynamics of our nation's security environment. Since September the 11th of 2001, we have been embroiled in a war with a wily, determined enemy who are intent on destroying our very way of life. As we engage these enemies, we recognize that carrying out current missions is not in and of itself sufficient.

The very forces that cause this war to be different from other wars have propelled the world into a period of



unprecedented change and volatility. We must simultaneously confront today's challenges while preparing for tomorrow's.

A critical issue that must be recognized is that this is the first extended duration war our nation has fought with an all-volunteer force. January marked the 30th anniversary of the all-volunteer force. This tremendous policy change in our nation has brought the Army Reserve and indeed, all of our armed forces an unheard of and unprecedented quality of our members. Yet the all-volunteer force also brings expectations and sensitivities that we must confront with regard to how we support our people, how we train them and how and when we employ those people.

To meet the demands of our nation and the needs of our Army and joint force team, we must change the way we man the Army Reserve. We must change the way we organize, train and prepare the force. And to accomplish this change, the culture of the Army Reserve must change.

This is a period of deep change from the old to the new, but we must forge this change while simultaneously continuing the fight in the current war. We are not simply afforded the luxury of hanging a sign outside the U.S. Army Reserve Command Headquarters in Atlanta that says, "Closed for Remodeling."

The culture must change from one that expects one weekend a month, two weeks in the summer to one that understands fully and completely, "I am first of all an American soldier, though not on a daily active duty, before and after a call to active duty, I am expected to live and, in fact, demonstrate Army and national values. I must prepare for mobilization as if, indeed, I knew the hour and the day that it would come."

Gentlemen, I look forward to your questions. Thank you for the opportunity to be here this morning.

CHAMBLISS: Thank you.

Admiral Cotton?

COTTON: Good morning, Mr. Chairman. And thanks for this opportunity. I have to be quite honest. In the last five and a half months, I have been chief of the Naval Reserve just like the recruiting poster, my life has been accelerated. And it seems to be picking up speed each day.

I didn't bring any sailors with me today to talk about their accomplishments at the front. Rather I would like to bring to everyone's attention and remember something that happened just a few weeks here ago in Baltimore.

COTTON: On a stormy Saturday afternoon, the brave men and women of Naval Reserve Center Baltimore responded within minutes and were on the scene to rescue people off a capsized water taxi. And a youngster who wasn't trained to do this used the front of the boat, the ramp that lowered, to pick up the edge of the pontoon and to rescue others that were trapped underneath.

And I'm also proud to say that in two weeks, we'll be at Baltimore to present the brave people that jumped into the frigid waters medals for their heroism. So we have heroes overseas, and we have heroes right here at home with us.

And that demonstrates, I think, what the generals ahead of me have talked about. And that's the dual mission of our Reserve and our Guard that not only overseas does us proud, but here stands ready for homeland security.

The Navy and the Naval Reserve have been concentrating in the last year on one Navy. We recruit together. We train together. We employ together. And all our policies are exactly the same.

Four quick points I'd like to make. It's our strategic plan for this next year. First, we're aligning. We don't need to have separate staffs, separate headquarters. We work together.

Down in New Orleans and here in Washington, D.C., we have embedded with Navy. We're one alignment, one staff. We do that with recruiting, we do it with our training, we do it with our admirals as well. We're synchronizing the force.

In the past, we've had seven separate readiness commands around the country along with 10 regional Navy commands. We are now aligning those headquarters and in the future will align the functionalities of those regions to better respond not only to homeland security requirements, but also mobilization of our proud sailors to go forward.

We are also assessing the force at Fleet Forces Command. Under Admiral Fallon who now speaks for all fleets around the globe, his team is looking at the requirements for the future Navy, not the Cold War construct. So as a result, every billet, every unit in the Naval Reserve is being assessed for its value, for its risk mitigation and for its capabilities as we measure it against Sea Power 21.

And I'm proud to say that the Naval Reserve has matched up very well against Sea Power 21's 61 capabilities. In fact, we have 59 of them as well as civilian unique capabilities, over 800 of them, that are oftentimes used in times of crisis.

And lastly, we'll take the results of this, and you'll see in the first preview of the POM '06 budget a synchronized, assessed Navy and Naval Reserve that will be programmed together to better project war fighting wholeness as a unified Navy.

I look forward to your questions, gentlemen.

CHAMBLISS: Thank you, Admiral.

General McCarthy?

MCCARTHY: Mr. Chairman and Senator Nelson, thank you very much for the opportunity to appear here on behalf of the Marine Corps Reserve.

The Marine Corps Reserve today is deployed both throughout the United States in their home training centers and around the world. I'm told that the commandant appeared before a committee of Congress not too long ago and said that the sun never sets on the United States Marine Corps. The sun never sets on the Marine Corps Reserve, either.

The force that we've mobilized consists of over 26,000 of our Marines drawn from both the selective Reserve and the individual ready Reserve. They have served in combat, and they have served with great distinction.

Like the other services, we are assessing the balance of that force. We're trying to determine what is the optimum organization. But I would tell you that the Marine Corps Reserve that existed on September the 11th, 2001 was a pre-trained, balanced and sustainable force. To use General Blum's terms, it was and remains an operational reserve for the Marine Corps.

And the adjustments that we will make in the Marine Corps Reserve are not likely, in my judgment, to be radical in nature. I think that we will tweak the balance, but we will not be required to make radical adjustments in either our force structure or our organization.

But we are facing a circumstance that, frankly, none of us have faced before. This idea that we need to sustain a level of mobilization year after year after year presents challenges that are new to us. Right now, we are meeting those challenges magnificently.

And as I tell people every place I go, the unhappiest Marines in my force that I run into are those that we haven't called on yet. They want to go. They want to do their nation's work, and they're ready to do it successfully.

But how long we will be able to sustain that is certainly a question that all of us in a leadership role need to pay close attention to. We're meeting our recruiting goals. We're exceeding our historical retention levels. So things look very good right now. But all of us need to keep a very close eye on that because, as General Helmly said, this is the first time we've done this with an all-volunteer force.

One of the key elements that I stress with our force is family readiness. I tell the Marines in my headquarters that in the Marine Forces Reserve, just about everything we do is at the tactical level. The one thing that we do that has strategic significance is our family readiness and sustaining those families.

We work hard at that. It's critical to our success. And the families that I talk to on a regular basis know that we're engaged. We don't always do it right, but we work hard at it. And we've had tremendous support from families. And as a result of that, I think, from employers as well.

So overall, the status of your Marine Corps Reserve is very solid. The leaders of your Marine Corps Reserve are keeping their eye on it, keeping their finger on the pulse. And I think that we have a force that you can be proud of.

I look forward to answering any specific questions that you have. Thank you, sir.

CHAMBLISS: Thank you, General.

General Sherrard, I'm sure in 1965 when you were flying those T-41s out of Moody over my home town, you had no idea you'd be up here testifying before this subcommittee. But we want you to know we're pleased to have you here.

SHERRARD: Well, thank you very much, Mr. Chairman, Senator Nelson. It's indeed an honor. And I must thank you

very much for those very kind words. And you're right, in 1965, when I was over Homerville, Georgia, I didn't have a clue about what life was going to be, other than the fact that I was getting paid to go fly. And there was nothing any better.

And I must tell you that it is indeed an honor and a privilege that I have the chance to speak with you today and talk about the accomplishments of the men and women of the Air Force Reserve. I'm extremely proud of them. And we put in our prepared statement some facts that I think you will find most interesting.

They are truly a dedicated force, as all of my colleagues represent a force equally as dedicated and capable. And it's essential for the things that we are being asked in support of our nation today that they, in fact, are that.

In doing so, I must tell you that I view three major priorities that we watch very, very carefully and take great interest in all the time within the Air Force Reserve. The first being people obviously. Recruiting and retention is important, as my colleagues have said.

We continue to watch recruiting. It is difficult, there's no question about it. We're maintaining recruiting goals, exceeding the goal. But the big dilemma for us in the Air Force Reserve in particular is the limited number of active duty prior service members available for us to bring into our force. In years past, we were an 80 percent/20 percent force. Roughly 80 percent prior service as we would bring them in.

Today, that has dropped to 61/39. And that creates longer training times, more expensive training dollar requirements that are necessary to bring the non-prior servicemember up to that level of experience that we need to do the things that we're being asked to go do.

On the retention side, I would tell you we're doing great, and we want to continue to watch that. But I personally believe it's still too early to call the actual state we're going to be in. If I go back and look in the '92, '93, '94 timeframe after Desert Shield and Storm, we were averaging somewhere between 10,000 to 11,000 losses a year.

Obviously in '02 we stopped loss almost the entire year. Our losses were extremely low. In '03 we had an increase up to slightly above what our normal average is, the historic average over about a 13-year period has been about 9,100 people. We had just over 10,000 that left us in FY '03.

In '04, those numbers are not — they don't appear. We will reach that level, but I want to be very, very careful because everyone understands the important role that they have. And they want to be part of it.

And I think as I've heard my Navy friend say before, I'm very proud to say that we in the Air Force Reserve are very proud of it, that those members that were mobilized either in Desert Shield or Desert Storm or under the current operations we have asked of them, we have a higher retention rate by between 8 percent to as high as about 11 percent in some areas over the force that was not mobilized.

So that speaks well for those members in knowing the important role that they play. But we also have to make certain that we, in fact, provide them the requisite resources and protections as well as fair compensations in order to retain that member into the future that will be so essential for us to do our business.

I would tell you that one of the key priorities to the people is maintaining a workplace that is safe, free of discrimination and free of harassment. And that is a top priority within our command. And we will always endeavor to do that. And I think it ties right in with your comments and concerns about sexual assault.

I will tell you that we are just like, as was stated earlier. It is a zero tolerance. It is a crime, and it is not something that can be condoned. We are part of the active Air Force's program in terms of evaluating policies and procedures and what do we need to be changing and evaluating. We have that response due to the vice-chief on the 9th of April.

I just had my teams complete our last location where we went and looked at each of the Air Force Reserve host locations. The tenant locations we looked at as the active force came and looked at the host location from their perspective — there are certainly some challenges that we will have to face in our world, unlike the active duty world in terms of status of the members, either at the time that the incident may have occurred or afterwards as well as the availability of the right processes that we can get the member to for the support.

Because we don't have full-time medical support. We don't have full-time counseling and things of that type. So we have to make certain we have that connection within the community that can provide that or the opportunity to get to them to an active duty facility that will provide that so critical resource to that member in that time of need.

They, in fact, must know that they have a place that they can come to and seek assistance and not become the victim a second time. That is intolerable if that should happen. We would all be very remiss in our duties if we were to let that happen.

The question of equitable and fair treatment within the terms of compensation and benefits, I would echo again what was said earlier. The key point to remember, I think, is that — and I can only speak — I'll speak for the Air Force Reserve. We give about 20 percent of the Air Force's combat capability for about 4 percent of the Air Force's TOA. That's a great investment and a return on the investment that the American taxpayer has placed in each of us.

But that being said, we've got to make certain that we don't have a case of it being perceived whether it's actually there or just in the mindset of the member of the have and the have nots. I firmly believe as the compensation review study just put out the other day where it talks about maintaining the one-thirtieth rule, I certainly agree with that. But I would tell you that we need to also look for equity within all the processes within that.

And two examples I would give you, as has been mentioned earlier, are reenlistment bonuses, the wide disparity that we have, the limitations in what we can and cannot go do as well as critical skills bonuses. The fact that we in the reserve component don't have that authority, but they have it in the active.

And I would tell you it's something that I believe is manageable. And I think it would be the right thing to go do, that you get paid at an equal rate as your active duty counterpart based on the fact that you're getting one-thirtieth. You work a full month, obviously you are exactly like they are and doing the exact same things that you would expect to be compensated for.

The second major priority is readiness. I am very proud to say that we in the Air Force maintain one tier of readiness. That's important in the way we do business within the Air Force. Both we in the Air Force Reserve and the Air National Guard have our units that are capable of deploying no later than 72 hours after notification.

We rely on volunteerism. Our missions are such that we can utilize that until we reach the point that the volunteerism capabilities don't match what the requirements ask us to do. And then we must step forward and utilize the mobilization process to cover that. And that is the exact position we're in today.

The other thing that I would tell you is the third bullet is modernization. Obviously requisite equipment, making sure that it is relevant, that it's capable of providing what the combatant commander needs. In our case, it's precision munition capability. We need to have that.

And another major piece that I would tell you that I read into the modernization is, in fact, our ability to have integrated operational capability within the Air Force. We've been in the associate business within the Air Force Reserve since 1968. It has served us well in the strategic airlift world, in the air refueling world.

SHERRARD: We have since taken that capability and now gone into the undergraduate pilot training program where we're providing 225 full-time equivalent instructors that relieves stress on that critical active duty pilot force to go back and do combat missions. We're doing it in the fighter associate program as well as AWACs, special operations.

You name it, we're involved. And we're going to continue to look at new ways to utilize an integrated force to give us a better capability within the Air Force and do the things that our nation is asking of us to go do.

As I said earlier, I'm extremely pleased and proud to represent the 75,000 plus men and women of the Air Force Reserve. And I am pleased to have had the opportunity to serve in a military that has been so graciously supported by you and the other members of Congress over the years.

I will leave regrettably, I must tell you, knowing that I have enjoyed every single day. And my only regret is that I'm not the second lieutenant leaving Moody Air Force Base to go out on my first assignment. So I stand ready to answer any questions that you may have, sir.

CHAMBLISS: Well, once again, thank you for your great service to our country. We appreciate you.

SHERRARD: Thank you, sir.

CHAMBLISS: General Sherrard addressed the issue of sexual assault. Let me turn to the other three of you and ask you, if you will, respectively. You heard my question to the other panel. I want to know what you're doing, how you're addressing this, particularly in light of the secretary's request for review of policy and procedures.

So, General Helmly, will you start, please?

HELMLY: Senator, thank you. I would only add the following two points. First of all, just within the Army Reserve, we have closed 18 cases involving 18 victims and 16 subjects. We have five cases still open. And, of course, we are engaging as a part of the Army policy not only in a review, but in the development of additional directives.

I would add one other point. I believe that we have to place, if you will, added emphasis within the reserve components. The military culture is a zero defects culture in this regard. We do not tolerate any instances of it. But, in fact, over time, military values today differ somewhat from those values practiced in civilian society.

Sex is emphasized in our society. And our soldiers, sailors, airmen and Marines from the reserve components spent a large amount of that time exposed to the values in that society where in some corners, unfortunately, such instances are not looked upon with the same degree of disdain and abhorrence that we in the military apply to sexual assault or, indeed, sexual harassment.

And so, it is our intention within the Army Reserve to make it an added emphasis and to approach it with energy, Senator, and passion, as you described. And I've directed the inspector general of the Army Reserve Command to begin a special review of the development of ethical cultures within the Army Reserve dealing with this issue, in my judgment, as the commander, of values in civil society, are they differing that much to those values as practiced within the military culture. And so, those are the only two points in addition that I would make to what's been discussed previously.

CHAMBLISS: Admiral?

COTTON: Yes, sir. I'd just like to say that about 14 years ago, we went through a tough chapter in our Navy history with incidents that everyone probably remembers. And as a result, the Navy and the Naval Reserve have placed great emphasis on this topic ever since.

The Naval Reserve is a full participant in what we call the SAVI Program, Sexual Assault Victimization Intervention Program. We emphasize this throughout our leadership courses. We all live by our honor, courage and commitment core values. And I will say that last year we had one substantiated case, and we had one this year. Those are both one too many. But I would say that our programs are very effective, and they're emphasized at all command levels.

MCCARTHY: Senator, I take very seriously the mention that we as military leaders perhaps haven't given the correct impression about how seriously we take this. And that may very well be the case. I know that it is something that General Hagee has emphasized to his commanders. And I have to mine.

But I understand the importance of redoubling our efforts to make sure people, our subordinates understand where we come from and where we stand on this issue. It seems to me it is in large measure a leadership challenge. But leadership has to be translated into resources and support. I believe we're doing that throughout the Marine Corps and the Marine Corps Reserve.

In preparation for this hearing today, I read General Niland's statement, the assistant commandant. And I was struck by his comment. And I'm going to steal it from him and adopt it that a victim of an assault like this is a wounded comrade.

And we never leave a wounded comrade on the battlefield. That's a pretty good approach. And we'll do everything we can to live up to that.

CHAMBLISS: General Sherrard, you raised an interesting issue in talking about making reenlistment bonuses for Reserve personnel equal to the active duty. I'm not familiar enough with how the Air Force, for example, does this. Is there a set reenlistment bonus for a sergeant major or a captain that has a certain number of years of service that the Air Force gives so that you could translate into a comparable bonus for Reserves?

SHERRARD: Yes, sir, it is. In fact, it is based on the skill and then depending on at the particular position in their career path at the time of that reenlistment. In our case, we're allowed only one reenlistment, and we have a set limit on what that can be for those members.

And, again, I would couch what I'm saying by in terms of the reenlistment, the bonus and the way you do it, I still think there's a mechanism by which you can compensate the members based on the one-thirtieth rule and have it where in the end, if you should have a mobilization, you have an equal force and it not be someone that feels that their duty is any less deserving than the other members. And that's a very key point that I think we all need to watch.

And in doing so, I think it would also allow us to maintain the physical constraints that we all have to live under knowing that we are, in fact, a Reserve force. We're not there 365 days a year in 99.99 percent of the cases.

But it would still make it equitable for the member that they are being compensated for each day of duty appropriately in all categories, whether it be housing, enlistment bonuses, aviation incentive pay, all those things on an equitable fashion.

CHAMBLISS: Is that same thing basically true for the other services?

Yes, sir?

HELMLY: It is, Senator. In the Army, the reserve components are limited to one reenlistment bonus during a career. And further, there are matters of policy that mitigate against the health of that reenlistment program. And an example is the fact that an active component member has within a year of their expiration term of service, ETS, that they can gain a reenlistment bonus.

The reserve component member must be within 90 days of their ETS. That in itself is illogical because when one is within 90 days, one has probably already made up their mind on whether or not to stay or to leave. A year or the farther out you get, you have much greater flexibility in terms of inducing the person to stay.

COTTON: Senator, I'd just like to add that for several years now, the Navy and Naval Reserve have shared the same pay system called INCEPTS (ph). We developed in the Naval Reserve. It's based on the same software that DIMERS (ph) some day will be based on. We've been, kind of, a sea trial, if you would. And I've got to say it's very, very successful.

It was witnessed by our very few pay issues as we mobilized folks to go overseas. We're on the active pay system when we do that. It works. Along with that comes the pay and the benefits and the bonuses that you talk about. We share the same policies that active has. And if we go after a special critical skill set, we do so in the same manner that active Navy does.

SHERRARD: We depend probably less on reenlistment bonuses and reenlistment incentives. Our force shape is different. But the requirement for critical skills incentive pays is an important one. It's one that we need to continue to work. And the help that we've gotten in the past has been very, very useful. It's something we need to continue to study.

I was talking to one of the staffers from Senator Collins this morning about critical skills incentive pays for language skills, for example. And these are some issues that we do need to continue to work.

CHAMBLISS: Senator Nelson?

NELSON: Thank you, Mr. Chairman.

I am encouraged about the attention that I'm getting here on the sexual assault issue. It looks like it is not looked at as an annoyance, but as a serious crime. And the reference to the victim as a wounded comrade, I think, perhaps says it best. We wouldn't want to shoot our comrades, friendly fire or otherwise. And why would anyone engage in this sort of activity?

So I hope that it's not enough said, because there'll be more said. But I think the stronger the effort from the top down making certain that all the commanders carry out the message, the sooner, I think, we'll see a reduction in the numbers. And certainly, that has to be our goal.

General Helmly, I asked before about the Army and the shifting of money around, that at some point, there is a pot that gets emptied as it's used for other causes. What are your thoughts about your funding? Have your funds been cut? Are you in danger of having them cut? Can you tell us a little bit about what you think your funding is and whether it's adequate to meet your needs?

HELMLY: Thank you, Senator. And in fiscal year '04, our current year, our funding is sufficient. I would like to cite the fact that last year, in fiscal year '03, we approached this body through the Army and the Department of Defense and were successful in reprogramming about \$170 million from Reserve personnel Army appropriations, our pay account, into operations and maintenance appropriations.

And we used every penny of that to deal with the changed paradigms in this war. And that is the rapidity of mobilization and pace no longer allows us to fund entirely out of active Army accounts once we have mobilized the unit. The purchase and stockpiling of repair parts and other forms of special equipment, everything from goggles to holsters to cold weather clothing, et cetera. And so, we have an entire list of things that we purchased with the operations and

maintenance dollars prior to mobilization that contributes to war fighting readiness.

This year, in fiscal year '04, our RPA account was reduced by \$175 million or so. Part of that was attributable to a mobilization offset. We'll be able to approach the Congress with only about \$42 million in reprogramming. Next year, in fiscal year '05, our account was reduced by \$272 million to pay for some of the TRICARE provisions that were extended in last year's law and also as a mobilization offset.

In our judgment, the numbers there are incorrect. As my counterpart, General Schultz, did, I've met with the chief of staff, Army. I have received his commitment and support to visit this issue at mid-year this year and next year and further receive the Army's agreement that from henceforth, we will be included as a part of the supplemental request that comes from the Department of Defense to this body to pay for obligations against the global war on terrorism.

And so, yes, our funds were reduced. In our judgment, it was an inordinate amount. But we have received the commitment of the Army leadership to address that and to ensure that we are adequately funded next year and this year.

NELSON: Well, of course, as I've sort of indicated, I'm worried about robbing Peter to pay Paul. But robbing Peter to pay Peter within the Army is going to be a subject of our focus as we go through the year because we can't simply come up short. And there is a concern about supplementals, as you understand.

NELSON: And it's easy to say, well, we'll get that from the supplemental. But I think in the budgeting process this year, if it holds, there is an account set up for potential supplementals. But I found back here just as it is in the states, you can only spend that dollar once.

(UNKNOWN): That's right.

NELSON: And you can only account for it once. And so, we are going to be very concerned about how that works out throughout the year.

HELMLEY: Senator, I would add we're very conscious that while we deal in specific, discrete appropriations and between services and components, et cetera, as you say, a dollar is a dollar. And that really is the foundation of where we're going in the future where we propose to, in fact, reduce our structure and harvest existing dollars to reinvest in the remaining structure to bring the readiness of that remaining force to much higher levels.

NELSON: Well, clearly, training and equipping is an investment for readiness. And that's what has to be maintained. As one who put together budgets in the past, knowing that I had to balance them because you can't borrow at the state level and you can't be in deficit, I have maybe a unique interest in seeing it done in an appropriate fashion.

The budgeting process in Washington is the equivalent of making a pie a piece at a time. And I'd like to see the comprehensive approach. And that's why I'm going to be asking these kinds of questions about the budgeting and the funding because I think it is essential. We can't just get to the end of the year and say, whoops.

HELMLEY: Yes, sir.

NELSON: we're just a little bit short. So I'm sure you'll keep us posted on that throughout the year, ...

HELMLEY: Yes, sir.

NELSON: ... as I'm sure General Schoomaker will keep us posted as well.

HELMLEY: Yes, sir.

NELSON: We talked about retention incentives and probably have hammered that pretty hard. But I think you can get a sense that we share your concern about future retention and recruitment. And the loss of a fully trained soldier or airmen or a Marine is a cost to the military and, therefore, to our budgeting. So we want to make sure that we have in place for you adequate means to keep the best and the brightest and those who will contribute the most and in whom we have invested a great deal of money and have expectations as well.

So I think we have an openness to suggestions that you may come up with as you go through the next year in looking at your recruitment. There may be some additional or different mechanisms that you can use. And I pledge my support to work with you. I have felt that for the Guard and Reserve units, the equivalent of a deployment 401(k) to set aside money for the days when you are deployed so that you can pull it out and augment your income at home.

I think perhaps the dependents are a little bit happier when the budget isn't squeezed as tight as it might otherwise be

squeezed. And I don't know about our reservists back there, but I have talked to others who have said if I could just set aside some money and then pull it out without bad tax consequences, favorable tax consequences, I'd have a little bit more to pull out when it's necessary.

We thought it was a great idea. Unfortunately, we seem to be the only ones who thought it was a great idea. So if there are other avenues, please let us know because I know we would be committed to helping you in every way we can.

HELMLEY: Senator, I believe you're familiar with the Department of Defense Thrift Savings Plan...

NELSON: Yes.

HELMLEY: ... in which it provides such a program for all members, whether they're deployed or not. I would refer you back to the Vietnam era. The Department of Defense had a special program for those who were deployed to Southeast Asia that allowed you — understanding you were bringing in some additional monies in the form of hostile fire pay.

And there was also in those days a tax exclusion also — to contribute some portion of that to such a plan. And I'm sure that our books still record how that was run and what the business rules were in conjunction with the law. So I think that might be a place that that search could begin.

NELSON: A helpful suggestion. Thank you, General.

Are the other branches fully funded and not worried about whether you're going to be able to balance the accounts at the end of the fiscal year?

Admiral?

COTTON: Senator, I'd like to say that, you know, timing is everything. But just last night, the Naval Reserve completed its mid-year review by Navy. And we were praised for the way we're executing this year's funding. Across the board, we're funded. We're doing OK.

With that said, there is a certain increased up tempo in certain skill sets, security, force protection and particularly, our transport of our OIF-2 personnel going overseas. This is swept up in the Navy cost of war. And we are being looked at by them and will be funded. And so, we're included on the team. So it's a good news story, sir.

NELSON: So you're not going to be, at the end of the day, inadequately funded or a source of money for the other needs?

COTTON: Any shortfalls are addressed by Navy, sir, to make sure that we can carry out the requirements.

NELSON: I'm sure Admiral Clark will be most generous in making sure that all happens.

General McCarthy?

MCCARTHY: Sir, we transferred some money last year from our Reserve manpower account to the active account because we had fairly large numbers of people who were mobilized and who weren't drawing on the Reserve account. I felt like that was done in a very responsible way. The amounts that were transferred were about right. And I think that overall that worked very well.

The thing that really made a difference to our overall funding last year, quite frankly, was the rather sizable increase that occurred in NGRAA funding. It enabled us to do some equipment purchases that we would not otherwise have been able to do. And that may not be the best way to fund the equipment account, but it's better than not funding the equipment account. So that was a big plus for us last year.

This year, it appears that our funding levels are about on track. And I think that we're executing those programs very efficiently. And I don't see any danger that we will be out of balance in our accounts.

NELSON: Thank you.

General?

SHERRARD: Sir, we, too, transferred money within the Air Force last year based on having a significant number of people mobilized. And then we also had our '04 funds detrimented based on a certain number that was anticipated be mobilized. And I would tell you that we will be able to complete the year. We are certainly going to complete it within the appropriations that we were given.



But as I mentioned earlier, with the reduced number of active duty members that we have been able to have the opportunity to ask to join our force, we have been forced to go to more of the non-prior members, which, in fact, drives up our initial active duty for training costs that we have to continue to operate out of that budget. So we've moved our monies from our two budget activity codes, from budget activity two, which is our special tour, training tour days, up to budget one, budget activity one, which is where that initial active duty tour capability must be in order to pay those members to go to BMT.

And we are stable today, but we have no wiggle room. I don't anticipate or foresee us having any military personnel account, RPA dollars, as we talk about them, to transfer back. And we have reached our limit in our capability to move between our two budget activity codes. But the important thing is maintaining readiness, maintaining our folks at the levels that are expected and more importantly, making certain that if we do our training, we do it in a manner that is safe.

And if it's not safe, we won't do it. And training has to be detrimented because of that, we certainly will do that rather than put our members and our equipment at risk.

NELSON: Thank you very much.

Thank you, Mr. Chairman.

CHAMBLISS: Thank you, Senator Nelson.

And, gentlemen, it's been a very good hearing. We appreciate very much you being here and giving us insight into your issues. And I assure you that as we move forward in the authorization process, we're going to take all of this into consideration. I thank you.

And with that, this hearing stands adjourned.

END

**NOTES:**

[????] – Indicates Speaker Unknown

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**PERSON:** SAXBY CHAMBLISS (94%); SUSAN M COLLINS (57%); ELIZABETH HANFORD DOLE (57%); JOHN W WARNER (56%); EDWARD M KENNEDY (55%); CARL M LEVIN (54%);

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